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A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act.

This Prospectus is not, and under no circumstances is to be construed as, a public offering of these Preferred Shares Series A and Common Shares for sale in the United States of America or in the territories or possessions thereof.

Bay Mills Limited DEC 9 1963

**60,000 Cumulative Redeemable Participating
First Preferred Shares Series A**

42,500 Common Shares

Prospectus

DEACON FINDLEY COYNE
Limited

Members The Investment Dealers' Association of Canada

181 BAY STREET

TORONTO 1, ONT.

EMpire 2-4492

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A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act.

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NEW ISSUE

\$750,000

60,000 First Preferred Shares and 30,000 Common Shares

Bay Mills Limited

(Incorporated under the laws of Canada)

6% Cumulative Redeemable Participating First Preferred Shares Series A
(of the Par Value of \$10 each)

and

Common Shares Without Par Value

Offered in units consisting of two Preferred Shares and one Common Share

The 6% Cumulative Redeemable Participating First Preferred Shares Series A (hereinafter sometimes called the "Preferred Shares Series A") are preferred as to capital and dividends. Fixed cumulative preferential dividends at the rate of 6% per annum as and when declared by the Board of Directors will be payable quarterly in lawful money of Canada on the first days of March, June, September and December in each year at any branch in Canada of the Company's bankers (far northern branches excepted). Dividends will accrue from December 27, 1963.

Redeemable at the option of the Company at any time after December 31, 1966, in whole or from time to time in part on not less than thirty days' notice at \$10.50 per share together with all accrued and unpaid preferential dividends thereon to the date of redemption.

The rights, restrictions, conditions and limitations to be attached to the Preferred Shares Series A are fully set forth in the Statutory Information forming part of this Prospectus.

A Preferred Shares Series A Purchase Fund is to be provided as more fully described in paragraph 8 in the Statutory Information of this Prospectus.

Participating Privilege

Subject to the provisions and conditions fully set forth in paragraph 8 of the Statutory Information to which reference is hereby expressly made, if in any fiscal year of the Company commencing with the fiscal year ending July 31, 1964 the Consolidated Net Earnings of the Company (as defined) shall exceed the sum of \$90,000, the holders of record of the Preferred Shares Series A on December 1st in the next succeeding fiscal year shall be entitled to be paid on December 15th in such succeeding fiscal year a participating dividend equal in the aggregate amount to 5% of each full \$12,000 of the amount of such excess.

Transfer Agent and Registrar for the Preferred Shares Series A and Common Shares:
York Trust and Savings Corporation, Toronto.

We, as principals, offer these Preferred Shares Series A and Common Shares, subject to prior sale and change in price, if, as and when authorized and issued by the Company and accepted by us and subject to the approval of all legal matters, on behalf of the Company, by Messrs. Salter, Reilly, Jamieson & Apple, Toronto, and on our behalf by Messrs. Stevens Hassard & Elliott, Toronto.

PRICE: \$25 per unit

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that definitive share certificates will be available for delivery in Toronto and Calgary on or about December 27, 1963.

A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act.

This Prospectus is not, and under no circumstances is to be construed as, a public offering of these Common Shares for sale in the United States of America or in the territories or possessions thereof.

OUTSTANDING ISSUE

12,500 Common Shares

Bay Mills Limited

(Incorporated under the laws of Canada)

Common Shares without nominal or par value

Transfer Agent and Registrar: York Trust and Savings Corporation, Toronto

PRICE: \$5 per Share

We, as principals, offer these Common Shares without nominal or par value, subject to prior sale and change in price, if, as and when accepted by us and subject to the approval of all legal matters, on behalf of the Company, by Messrs. Salter, Reilly, Jamieson & Apple, Toronto, and on our behalf by Messrs. Stevens, Hassard & Elliott, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that definitive share certificates will be available for delivery in Toronto and Calgary on or about December 27, 1963.

The Company has supplied the following information in connection with the sale of the securities offered by this Prospectus.

Bay Mills Limited (the Company) was incorporated as a private company in August, 1944 as Fine Silk Limited. At its inception it acquired the assets of Fine Silk Mills Limited, a family textile business with a factory situated in Midland, Ontario. The principal business of the Company was weaving silk, rayon and woollens for the clothing and interior decorating industries and was continued as such until 1954. Due to the uncertainties of the textile industry, operations were of a fluctuating nature and it was decided to seek other and more profitable fields for the Company's activities.

A major decision was made in November 1954 to change the nature of the Company's business; to seek out and specialize in the manufacture and sale of fabrics for industrial purposes, a process requiring a high degree of technological skill. At the same time, charter amendments were granted changing the Company's name to Bay Mills Limited. As a result of these decisions the Company developed an engineering approach to the needs of industry for a wide range of industrial textiles and commenced to pioneer in the conversion of the increasing number of synthetic fibres which appeared after World War II.

In less than ten years the Company has become the foremost Canadian converter of Fiberglas* yarns into industrial fabrics. It is interesting to note that the difficulties in mastering the techniques of this manufacturing process have resulted in a major concentration of Fiberglas weaving in the United States into five companies:

J. P. Stevens & Co. Inc.,
Burlington Industries Inc.,
United Merchants & Manufacturers Inc.,
Clark-Schwebel Fiber Glass Corporation,
Exeter Manufacturing Inc.

The Company has kept abreast of the developments in the industry in North America, and has pioneered in the development of improved metal filtration fabrics used in aluminum manufacturing. These products have a wide domestic market and are also marketed in Central and South America and in Africa.

Plant and Facilities

The present site of the Company's operations, totalling 46,000 square feet of floor space, consists of a head office and warehouse building of brick and concrete, erected in 1961; a mill construction building erected in 1917, consisting of 34,000 square feet and a concrete block addition erected in 1960, all of which are on premises owned by the Company, and located in Midland, Ontario. The plant, which employs 110 people, operates on a three shift basis.

In order to manufacture its present line of products, the Company has installed modern machinery, consisting of preparatory, weaving, finishing and laboratory equipment.

The Company has maintained a policy of continual modernization and its processes are as fully automated as possible within the limitations of its present premises.

Purposes of Issue

The present facilities have become inadequate to handle the expanding sales of the Company. It is planned to erect a modern, single-storey, sprinklered, air-conditioned structure of approximately 90,000 square feet on land to be acquired from the municipality, comprising 16.2 acres of fully serviced land facing Georgian Bay, with a railway line adjacent. The building will have 36' x 36' bays and a clear height of 18 feet under steel construction. Estimated cost of the land is \$15,000 and estimated cost of building is \$850,000, including architects' fees. Construction is scheduled for completion in the fall of 1964.

It is intended to install additional equipment, at an estimated cost of approximately \$350,000, which will enable the Company to produce pre-impregnated fabrics for the aircraft industry and for abrasive cutting-wheel manufacturers, and to increase existing manufacturing facilities.

The Company's new plant, when completed, will be among Canada's most highly automated manufacturing establishments. The Company anticipates being able to institute major savings in handling costs, considered impossible in the existing plant due to the limitations of floor space and floor loading.

Sales

The Company's products are sold across Canada directly and through distributors to customers at all trade levels, including every major hardware company in Canada. The Company's products are competitively priced in world markets. Export sales are maintained to New Zealand, Australia, Europe and

*Trade Mark registered.

South Africa, and the Company sells to the overseas aluminum raw material industries in South and Central America. The Company's new plant will permit the expansion of export sales.

Management

The Chairman of the Board, Mr. Eric H. Cerny, has spent a lifetime in the textile industry on two continents.

Mr. Steven Cerny, President of the Company, who is a graduate in textile engineering of the University of Manchester (U.K.) joined the Company in the early 1950's. He has been primarily instrumental in the conversion of the Company's operations to fibre glass manufacturing, has guided the business during the period of its greatest growth and is in charge of all policy and planning.

Mr. Sydney Nicholls, a graduate in electrical engineering from McGill University, joined the Company in 1954. He has supervised the growth of sales since the start of industrial fabrics manufacture. Mr. Nicholls has done significant work on basic engineering design problems of reinforced plastic structures.

Mr. Marek Alapin, with a degree in textile engineering from the University of North Carolina, is in charge of all manufacturing activities of the Company. He has held management positions with two of the leading fibre glass converters in the United States: Burlington Industries Inc. and Clark-Schwebel Fiber Glass Corporation, and is one of the most informed men on fibre glass manufacturing in North America.

Mr. G. W. Fewks is in charge of all export activities of the Company and has a long association with the textile industry in Europe and Canada.

Mr. George Fitzpatrick, C.A., is comptroller of the Company.

Dividend Requirements

The minimum annual dividend requirements for the 60,000 Preferred Shares Series A to be outstanding on completion of this financing will amount to \$36,000 which amount will decrease as and when the Preferred Shares Series A Purchase Fund operates.

Operations

The Company's product lines are divided into three principal categories, the first being reinforcing fabrics. Such fabrics are used in conjunction with thermo-setting resins, and are supplied to manufacturers of a variety of aircraft components including fairings, wing tips and stabilizer leading edges. Such fabrics are also used in the reinforcement of asphaltic waterproofing compounds applied to large building foundations, roofs, highway overpasses, subways and pipe lines. Reinforcing fabrics are also sold to consumer market suppliers in various forms (such as Fiberglas*), as a raw material for boat builders, and to manufacturers of electronic equipment for such items as electrical boards, used for printed circuits in television broadcasting, and for Radomes, used to house radar equipment in defence early warning systems. When used to reinforce thermo-plastic films, such fabrics are sold to manufacturers of soft luggage, garden furniture and the like.

The second main category of products consists of fabrics used to filter molten metals, primarily sold to the aluminum industry, where all high grade aluminum is filtered through Fiberglas fabrics during ingot formation. Filter fabrics are also used to filter dust-laden air in order either to recover the dust or to prevent the pollution of the atmosphere, or both. Industries using dust-collection equipment incorporating these fabrics include the cement, mining, fertilizers, asbestos and carbon black industries.

The third major category of products consists of fabrics made of P.V.C. coated Fiberglas used by tent manufacturers and window manufacturers and for insect screening in cottages and private homes. The Company owns the trade mark PERMASCREEEN, the brand name of the Company's insect-screen, which has gained wide consumer acceptance in Canada. The Company was the first in North America to induce tent manufacturers to use vinyl-coated screening.

Capitalization

The capitalization of the Company after giving effect to the present financing is as follows:

CAPITAL STOCK	Authorized	Issued
Common shares without nominal or par value.....	500,000	205,985 shares
First Preferred Shares with a par value of \$10 each.....	150,000	60,000 shares†

*Trade Mark registered.

†6% Cumulative Redeemable Participating First Preferred Shares Series A.

Statement of Earnings

For Ten Fiscal Periods From September 1, 1953 to July 31, 1963

Fiscal periods	Earnings (loss) before deprecia- tion, interest on long-term liabilities, taxes on income and research costs	Depreciation	Interest	Research costs		Taxes on income	Net earnings (loss) from operations
				Expense items	Depreciation		
1954.....	\$ (34,048)	\$ —	\$ 2,279	\$ —	\$ —	\$ —	\$ (36,327)
1955.....	25,432	18,727	1,943	—	—	1,800	2,962
1956.....	26,724	13,948	2,192	—	—	284	10,300
1957.....	32,428	16,807	2,734	—	—	818	12,069
1958.....	79,656	26,725	3,648	—	—	7,774	41,509
1959.....	69,145	33,528	5,370	—	—	7,760	22,487
1960.....	87,435	43,906	8,984	—	—	11,726	22,819
1961.....	136,814	38,292	10,890	—	—	35,273	52,359
1962.....	222,562	50,481	15,465	9,342	5,407	47,090	94,777
1963.....	315,033	57,166	16,790	27,560	7,393	82,000	124,124

Notes to Statement of Earnings

- (1) Commencing approximately May 1962 the company incurred research costs for the improvement of the present line of products manufactured by the company. These research costs are eligible, for income tax purposes, as a deduction from income at 150% of cost. If these costs had not been incurred the resulting net profit from operations and taxes on income (estimated) for the year ended July 31, 1963 would have been \$131,078 and \$110,000 respectively and for the year ended July 31, 1962 \$86,616 and \$70,000 respectively.
- (2) No provision for depreciation was made in the statement of earnings for the year ended August 31, 1954.
- (3) The fiscal period 1961 is for eleven months ended July 31, 1961.

Auditors' Report

To the Directors, BAY MILLS LIMITED.

We have examined the statement of earnings of BAY MILLS LIMITED for ten fiscal periods from September 1, 1953 to July 31, 1963.

With respect to the fiscal periods from September 1, 1953 to July 31, 1962 we have relied upon the reports of other auditors.

In our opinion, the accompanying statement of earnings, when read with the accompanying notes, presents fairly the earnings of the company from September 1, 1953 to July 31, 1963 in accordance with generally accepted accounting principles applied on a consistent basis.

TORONTO, ONTARIO.
November 28, 1963.

(Signed) HUTCHINS, MULLIN & BLAIR
Chartered Accountants

Summary of Certain of the Preferred Shares Series A Provisions

1. The Preferred Shares offered hereby comprise Series A of a class of 150,000 First Preferred Shares of the par value of \$10 each (hereinafter called the "Preferred Shares") issuable in series.
2. The holders of the Preferred Shares Series A will be entitled to receive, as and when declared by the board of directors, fixed cumulative preferential cash dividends at the rate of 6% per annum payable quarterly on the 1st days of March, June, September and December in each year.
3. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series A will be entitled to receive the amount paid up thereon together with all accrued and unpaid preferential dividends thereon plus, in the case of a voluntary liquidation, dissolution, winding-up or distribution, a further sum equal to 6% of the amount paid up thereon, before any amount will be paid or any property or assets of the Company distributed to the holders of any Common Shares or any other shares ranking junior to the Preferred Shares Series A.
4. Subject to the provisions and conditions fully set forth in paragraph 8 in the Statutory Information of this prospectus to which reference is hereby expressly made, if in any fiscal year of the Company commencing with the fiscal year ending July 31, 1964, the Consolidated Net Earnings of the Company (as defined) shall exceed the sum of \$90,000, the holders of record of the Preferred Shares Series A on December 1st in the next succeeding fiscal year shall be entitled to be paid on December 15th in the same fiscal year a participating dividend equal in aggregate amount to 5% of each full \$12,000 of the amount of such excess. After payment to the holders of the Preferred Shares Series A of the amount so payable to them as aforesaid, they will not be entitled to share in any further profits of the Company.
5. Subject to the restrictions referred to below in paragraph 7, the Company will have the right to purchase Preferred Shares Series A at an amount not exceeding the redemption price thereof hereinafter specified plus costs of purchase.

6. Subject to the restrictions referred to below in paragraph 7, the Company will have the right, at its option, at any time after December 31, 1966 and from time to time thereafter, on not less than thirty days' notice, to redeem the whole or any part of the Preferred Shares Series A on payment for each share to be redeemed of \$10.50 plus all accrued and unpaid preferential dividends thereon.

7. No dividends are at any time to be declared on the Common Shares or any other shares ranking junior to the Preferred Shares Series A nor is the Company to call for redemption and/or purchase any Preferred Shares Series A less than the total amount then outstanding unless all dividends up to and including the dividend payable for the last completed quarter on the Preferred Shares Series A then issued and outstanding shall have been declared and paid or provided for at the date of such declaration or call for redemption or purchase.

8. Subject as hereinafter provided, so long as any of the Preferred Shares Series A are outstanding the Company, on or before the 1st day of October in each year, commencing with the year 1965, will be required to set aside in a special account on the books of the Company as a Purchase Fund for the Preferred Shares Series A an amount equal to 3% of the Net Income of the Company (as defined) for the last preceding fiscal year, less all dividends paid on the Preferred Shares Series A.

The amount from time to time to the credit of the said special account will be applied as soon as practicable to the purchase of Preferred Shares Series A (if obtainable) at the lowest price or prices at which, in the opinion of the board of directors, such shares are obtainable but not exceeding the redemption price thereof plus costs of purchase; to the extent to which Preferred Shares Series A cannot be so purchased at prices not exceeding the said price, the Company is not to make any application of the said amount until such shares, in the opinion of the board of directors can be so purchased, and so on from time to time so long as any of the Preferred Shares Series A are outstanding. If a credit balance of more than \$15,000 exists in the Purchase Fund as at December 31, 1968, 1973, 1978, 1983 or 1988, the Company will apply such credit balance in full to the purchase or redemption of Preferred Shares Series A. Any Preferred Shares Series A so purchased are to be deemed to be redeemed and are to be cancelled.

9. The holders of the Preferred Shares Series A will not have any voting rights nor will they be entitled to receive notice of or attend shareholders' meetings unless dividends on all Preferred Shares of any series are in arrears to the extent of six (6) quarterly dividends, whereupon, until all arrears of dividends have been paid, such holders will be entitled to attend shareholders' meetings and to one vote per share, and to elect three members of the board of directors.

10. So long as any of the Preferred Shares Series A are outstanding the Company will not, without the approval of the holders of the Preferred Shares Series A:

- (a) issue any Preferred Shares in excess of the 60,000 Preferred Shares Series A unless the Consolidated Net Earnings of the Company, as defined, for any twelve consecutive months of the eighteen months preceding the issue of the additional Preferred Shares have been at least equal to $2\frac{1}{2}$ times the annual dividend requirements on all the Preferred Shares to be outstanding immediately after such issue; or
- (b) redeem, purchase, reduce or otherwise pay off any shares ranking junior to the Preferred Shares Series A (except out of the proceeds of the issue of the Preferred Shares Series A and except out of the proceeds of an issue of shares ranking junior to the Preferred Shares Series A) unless all dividends on all the Preferred Shares then issued and outstanding have been paid or the aggregate amount of paid up capital on Common Shares and any other shares ranking junior to the Preferred Shares plus Consolidated Earned Surplus would be less than the sum of \$500,000; or
- (c) pay any dividend on the Common Shares or other shares ranking junior to the Preferred Shares if such payment would reduce Consolidated Earned Surplus below an amount equal to dividend requirements for 3 years on all Preferred Shares then outstanding; or
- (d) Subject to subparagraph 9(e) of paragraph 8 of the Statutory Information, create a Funded Obligation unless Average Consolidated Income for 3 fiscal years of the Company next preceding the date of issue of such Funded Obligation is at least three times the maximum annual interest requirement on all funded obligations to be outstanding after such creation.

11. The authorized but unissued Preferred Shares will be issuable in one or more series, with such attributes as the directors of the Company may by resolution determine. The Preferred Shares of each series will rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. No class of shares is to be created ranking as to capital or dividends prior to or on a parity with the Preferred Shares without the approval of holders of the Preferred Shares, nor may the authorized amount of the Preferred Shares be increased, without the approval of the holders of the Preferred Shares.

BAY MILLS

Balance Sheet and Pro-Forma

(1) The pro-forma balance sheet gives effect to the following:

- (a) The issue to the company of Supplementary Letters Patent dated November 27, 1963 converting the company from a private company to a public company and changing the authorized capital to 150,000 First Preferred Shares with a par value of \$10 each issuable in series, the first series of which consists of 60,000 shares with a par value of \$10 each designated as "6% Cumulative Redeemable Participating First Preferred Shares Series A" and 500,000 Common Shares without par value. The Supplementary Letters Patent provide for the reclassification of the issued and outstanding 753 Class A common shares and the 100 Class B common shares into 175,985 Common Shares, and the return to earned surplus of \$75,000 of capital surplus arising from the redemption of preferred shares.
- (b) The creation of first mortgage sinking fund bonds in the principal amount of \$700,000 with interest at 6½%, maturing in 1984, and repayable in principal amounts of \$35,000 per annum commencing 1966, accompanied by stock purchase warrants covering the right to purchase 30 Common Shares for every \$1,000 in principal amount of bonds at a price of \$6 per share until 1969 and \$7 per share from 1969 to 1974.
- (c) The issue and sale of the following for a total cash consideration of \$1,450,000.

Preferred shares—60,000.....	\$600,000
Common shares—30,000.....	\$150,000
First mortgage bonds.....	\$700,000

Assets

	Balance Sheet	Pro-Forma Balance Sheet
CURRENT ASSETS		
Cash on hand and in bank (Note 1(e)).....	\$ 25,151	\$ 31,350
Accounts receivable (less allowance of \$21,457).....	379,204	379,204
Accounts receivable from affiliated company.....	39,386	39,386
Employees' receivables (Note 1 (e)).....	8,882	7,082
Inventories, valued at the lower of cost or market.....	333,805	333,805
Prepaid expenses.....	4,601	4,601
	<u>\$ 791,029</u>	<u>\$ 795,428</u>
OTHER ASSETS		
Insurance deposit.....	\$ 6,492	\$ 6,492
Other deposits.....	835	835
Cash surrender value of life insurance.....	7,225	7,225
Note and mortgage receivable, employees (Note 1 (e)).....	7,805	3,406
Financing and issue expense.....		91,000
	<u>\$ 22,357</u>	<u>\$ 108,958</u>
PROPERTY, PLANT AND EQUIPMENT AT COST		
Cash held for construction and new equipment (Note 1 (d)).....	\$	\$1,073,916
Land.....	1,000	16,000
Buildings.....	146,277	146,277
Machinery and equipment.....	526,802	526,802
Furniture and fixtures.....	24,390	24,390
Transportation equipment.....	7,538	7,538
	<u>\$ 706,007</u>	<u>\$1,794,923</u>
Less allowance for depreciation.....	392,195	392,195
	<u>\$ 313,812</u>	<u>\$1,402,728</u>
	<u><u>\$1,127,198</u></u>	<u><u>\$2,307,114</u></u>

Auditors' Report

To the Directors, BAY MILLS LIMITED.

We have examined the balance sheet and pro-forma balance sheet of BAY MILLS LIMITED as at July 31, 1963. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIMITED

Balance Sheet as at July 31, 1963

- (d) The application of \$1,450,000:
- (i) To purchase land for a new building, at an estimated cost of \$15,000.
 - (ii) To retire the Industrial Development Bank loan in the amount of \$248,284. This amount includes a prepayment penalty of \$14,054 which is charged to earned surplus in the pro-forma balance sheet.
 - (iii) To pay shareholders' advances arising from the redemption on November 26, 1963 of 218 preferred shares, \$21,800.
 - (iv) To pay legal, audit, printing and other expenses estimated at \$20,000, commissions of \$57,000 in connection with the issuance of the shares, and commission of \$14,000 in connection with the placement of the first mortgage bonds.
 - (v) To use the remainder of the proceeds \$1,073,916 to construct a new building, estimated by the directors to cost \$850,000 and to purchase new equipment estimated by the directors to cost \$350,000.
- (e) The receipt of \$6,199 in settlement of a mortgage payable to the company by a shareholder.
- (2) The Company proposes to establish an employee stock option plan extending to 21,000 Common Shares at a purchase price of not less than \$5 per share.

Liabilities

	Balance Sheet	Pro-Forma Balance Sheet
CURRENT LIABILITIES		
Accounts payable and accruals.....	\$ 293,144	\$ 293,144
Sales, income and other taxes payable.....	74,296	74,296
Current portion of loan.....	23,820	
	<u>\$ 391,260</u>	<u>\$ 367,440</u>
LONG-TERM LIABILITIES		
Industrial Development Bank, loan (less current portion \$23,820).....	\$ 210,410	\$
First mortgage sinking fund bonds, 6½% maturing in 1984 (Note 1 (b))..		700,000
	<u>\$ 210,410</u>	<u>\$ 700,000</u>
CAPITAL STOCK AND SURPLUS		
Capital stock		
BALANCE SHEET		
Authorized		
3,000 5% cumulative, redeemable preferred shares of \$100 each, less 532 redeemed—\$246,800		
1,000 Class A common shares of \$100 each—\$100,000		
100 Class B common shares of \$1 each—\$100		
Issued		
Preferred—218 shares.....	\$ 21,800	
Class A common—753 shares.....	75,300	
Class B common—100 shares.....	100	
	<u>\$ 97,200</u>	
PRO-FORMA BALANCE SHEET		
Authorized		
150,000 preferred shares with a par value of \$10 each—\$1,500,000		
500,000 common shares without par value		
Issued		
Preferred—60,000 6% Cumulative Redeemable Participating First Preferred Shares Series A.....		600,000
Common—205,985 shares.....		225,400
		<u>\$ 825,400</u>
Capital surplus resulting from redemption of preferred shares.....	53,200	
Earned surplus.....	375,128	414,274
Approved on behalf of the board:		
(Signed) STEVEN CERNY, Director		
(Signed) SYDNEY J. NICHOLLS, Director	<u>\$1,127,198</u>	<u>\$2,307,114</u>

In our opinion (a) the accompanying balance sheet presents fairly the financial position of the company as at July 31, 1963 in accordance with generally accepted accounting principles and (b) the accompanying pro-forma balance sheet, when read with the accompanying notes, presents fairly the financial position of the company after giving effect to the transactions set out in Note (1) thereto, in accordance with generally accepted accounting principles.

TORONTO, ONTARIO.
November 28, 1963.

(Signed) HUTCHINS, MULLIN & BLAIR
Chartered Accountants

Statutory Information

1. The full name of the Company is BAY MILLS LIMITED (hereinafter referred to as the "Company") and its head office is located at Midland, Ontario.

2. The Company was incorporated under the laws of Canada by Letters Patent dated August 24th, 1944. Supplementary Letters Patent dated November 2nd, 1954 were issued to the Company changing its name and further Supplementary Letters Patent dated August 18th, 1958 and August 11th, 1959 were issued to the Company reorganizing its capital. Supplementary Letters Patent dated November 27, 1963, have issued converting the Company from a private company to a public company and reorganizing its capital as set out in paragraph 7 hereof.

3. The general nature of the business actually transacted or to be transacted by the Company is the manufacture, fabrication and sale of fabrics for industrial purposes.

4. The names in full, present occupations and home addresses of the Directors and Officers of the Company are as follows:

Directors

ERIC HANUS CERNY.....	<i>Executive</i>	92 Lakeshore Road, Pointe Claire, Quebec.
STEVEN FREDERICK CERNY.....	<i>Manager</i>	Yonge Street West, Midland, Ontario.
GUSTAVE WALTER FEWKS.....	<i>Executive</i>	4940 Coronet Avenue, Montreal, Quebec.
SYDNEY JAMES NICHOLLS.....	<i>Sales Manager</i>	Cornell Drive, Midland, Ontario.
JOHN REGINALD FINDLEY.....	<i>Investment Dealer</i>	51 Sandringham Drive, Toronto, Ontario.
CHARLES GAMBLE GREENFIELD.....	<i>Investment Dealer</i>	64 Mason Boulevard, Toronto, Ontario.
DONALD ARTHUR JEWITT.....	<i>Investment Dealer</i>	100 Roehampton Avenue, Toronto, Ontario.

Officers

ERIC HANUS CERNY.....	<i>Chairman of the Board</i>	92 Lakeshore Road, Pointe Claire, Quebec.
STEVEN FREDERICK CERNY.....	<i>President</i>	Yonge Street West, Midland, Ontario.
GUSTAVE WALTER FEWKS.....	<i>Vice-President</i>	4940 Coronet Avenue, Montreal, Quebec.
SYDNEY JAMES NICHOLLS.....	<i>Secretary-Treasurer</i>	Cornell Drive, Midland, Ontario.

5. The Auditors of the Company are Messrs. Hutchins, Mullin & Blair, Chartered Accountants, 68 Yonge Street, Toronto, Ontario.

6. YORK TRUST AND SAVINGS CORPORATION, 48 Yonge Street, Toronto, Ontario, is the Transfer Agent and Registrar of the Preferred Shares Series A and the Common Shares of the Company.

7. Prior to the issuance of the Supplementary Letters Patent dated November 27th, 1963, the authorized capital of the Company consisted of 3,000 cumulative redeemable preferred shares of the par value of \$100 each, 1000 Class "A" Common Shares of the par value of \$100 each and 100 Class "B" Common Shares of the par value of \$1 each, of which 753 Class "A" Common Shares and 100 Class "B" Common Shares were issued and outstanding. Said Supplementary Letters Patent dated November 27th, 1963, inter alia, cancelled 750 of the cumulative redeemable preferred shares which had been issued and redeemed, changed and subdivided 2,250 unissued cumulative redeemable preferred shares of the par value of \$100 each into 22,500 First Preferred Shares of the par value of \$10 each, increased the capital of the Company by the creation of an additional 127,500 First Preferred Shares of the par value of \$10 each, cancelled 247 unissued Class "A" Common Shares of the par value of \$100 each, subdivided the 753 issued Class "A" Common Shares of the par value of \$100 each into 33,885 new Common Shares without nominal or par value on the basis of 45 new Common Shares without nominal or par value for each previously issued Class "A" Common Share, subdivided the 100 issued Class "B" Common Shares of the par value of \$1 each into 142,100 new Common Shares without nominal or par value on the basis of 1,421 new Common Shares without nominal or par value for each previously issued Class "B" Common Share of the par value of \$1 each, and increased the capital of the Company by creating an additional 324,015 Common Shares without nominal or par value. Of the said 750 cumulative redeemable preferred shares so cancelled, 218 had been redeemed just prior to the issuance of the said Supplementary Letters Patent dated November 27th, 1963. As a result of the issuance of said Supplementary Letters Patent, the

authorized capital of the Company now consists of 150,000 First Preferred Shares with a par value of \$10 each, none of which are issued or outstanding but whereof 60,000 shares have been designated for issuance as 6% Cumulative Redeemable Participating First Preferred Shares Series A and being the first series of the said First Preferred Shares proposed to be issued as referred to in paragraph 16 hereof, and 500,000 Common Shares without nominal or par value of which 175,985 are issued and outstanding as fully paid and non-assessable. Reference is also made to paragraph 16 concerning the additional 30,000 Common Shares without nominal or par value proposed to be issued as therein set forth.

8. The following is a description of the respective voting rights, preferences, rights to dividends, profits or capital of each class of shares of the Company, including redemption rights and rights on liquidation or distribution of capital assets.

First Preferred Shares

The 150,000 First Preferred Shares of the par value of \$10 each (hereinafter referred to as the "Preferred Shares") as a class carry and are subject to the following rights, restrictions, conditions and limitations.

(a) The directors of the Company may at any time and from time to time issue the Preferred Shares in one or more series, each series to consist of such number of shares as may before issuance thereof be determined by the directors.

(b) The directors of the Company may (subject as hereinafter provided) from time to time fix before issuance the designation, rights, restrictions, conditions and limitations to attach to the Preferred Shares of each series including, without limitation, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, voting rights and conversion rights (if any) and any sinking fund or other provisions attaching to the Preferred Shares of such series, the whole subject to the issue of supplementary letters patent setting forth the designation, rights, restrictions, conditions and limitations attaching to the Preferred Shares of such series.

(c) When any fixed cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends including accumulations, if any, in accordance with the sums which would be payable on the said Preferred Shares if all such dividends were declared and paid in full, and on any return of capital in accordance with the sums which would be payable on such return of capital if all sums so payable were paid in full.

(d) The Preferred Shares shall be entitled to preference over the Common Shares of the Company and any other shares of the Company ranking junior to the Preferred Shares with respect to the payment of dividends and may also be given such other preferences over the Common Shares of the Company and any other shares of the Company ranking junior to the Preferred Shares as may be determined as to the respective series authorized to be issued.

(e) The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company whether voluntary or involuntary. Except with the approval of holders of the Preferred Shares given as hereinafter specified, no series of Preferred Shares shall be authorized which shall have a dividend rate in excess of six per cent (6%) per annum on the amounts from time to time paid up thereon or be entitled to receive upon liquidation, dissolution or redemption a sum in excess of one hundred and six per cent (106%) of the amounts paid up thereon plus a sum equivalent to all unpaid dividends accumulated thereon.

(f) Subject to the provisions of Section 61 of the Companies Act, Preferred Shares of any series may be made subject to redemption at such times and at such prices (subject to the foregoing provisions hereof) and upon such other terms and conditions as may be specified in the rights, restrictions, conditions and limitations attaching to the Preferred Shares of such series as set forth in the resolution of the board of directors of the Company and supplementary letters patent relating to such series. Upon the redemption of any Preferred Shares the shares so redeemed shall be cancelled.

(g) The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter authorized.

(h) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the Preferred Shares without the approval of the holders of the Preferred Shares given as hereinafter specified.

(i) The holders of the Preferred Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless and until the Company from time to time shall fail to pay in the aggregate six (6) quarterly dividends on the Preferred Shares of any one (1) series on the dates on which the same should be paid according to the terms thereof whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the Preferred Shares of any series remain in arrears the holders of the Preferred Shares shall be entitled to receive notice of and to attend all

meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each Preferred Share held and in addition shall be entitled, voting separately and exclusively as a class, to elect three (3) members of the board of directors of the Company if the board consists of seven (7) or fewer directors or one-third ($\frac{1}{3}$) of the members of the board of directors if the board consists of more than seven (7) directors or if the total number be not evenly divisible by three (3), then the next highest number above one-third ($\frac{1}{3}$). Nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors.

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be directors of the Company at any time when the right to elect directors shall accrue to the holders of Preferred Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect directors upon not less than twenty (20) days' written notice and which shall be called by the Secretary of the Company upon the written request of the holders of record of at least one-tenth ($\frac{1}{10}$) of the outstanding Preferred Shares. In default of the calling of such general meeting by the Secretary within five (5) days after the making of such request, such meeting may be called by any holder of record of Preferred Shares.

Any vacancy or vacancies occurring among members of the board elected to represent the holders of Preferred Shares in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected to represent the holders of Preferred Shares but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preferred Shares to fill the vacancy or vacancies. Whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-tenth ($\frac{1}{10}$) of the outstanding Preferred Shares shall have the right to require the Secretary of the Company to call a meeting of the holders of Preferred Shares for the purpose of filling the vacancy or vacancies or replacing all or any of the persons elected or appointed to fill such vacancy or vacancies and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting.

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the voting rights of the holders of the Preferred Shares, the term of office of the directors elected or appointed to represent the holders of Preferred Shares shall forthwith terminate and (ii) the holding of one Preferred Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of Preferred Shares.

(j) The provisions of paragraphs (a) to (i) hereof inclusive, the provisions of this paragraph and the provisions of paragraph (k) hereof may be repealed, altered, modified, amended or amplified by supplementary letters patent but only with the approval of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the Companies Act.

(k) The approval of holders of the Preferred Shares as to any and all matters referred to herein may be given by compromise or arrangement under the Companies Act or by by-law sanctioned at a meeting of holders of Preferred Shares duly called and held upon at least twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than seventy-five per cent (75%) of the Preferred Shares represented and voted at such meeting cast on a poll. If at such meeting the holders of a majority of the outstanding Preferred Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than seventy-five per cent (75%) of the Preferred Shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Preferred Shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares shall be entitled to one vote in respect of each Preferred Share held.

Provisions attaching to the Preferred Shares Series A

The 6% Cumulative Redeemable Participating First Preferred Shares (being the first series of the said class of 150,000 Preferred Shares and being hereinafter referred to as the "Preferred Shares Series A") in addition and subject to the rights, restrictions, conditions and limitations attaching to the Preferred Shares as a class, carry and are subject to the following rights, restrictions, conditions and limitations:

(1) The holders of the Preferred Shares Series A shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly

applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of six per cent (6%) per annum, payable quarterly on the first (1st) days of March, June, September and December in each year on the amounts from time to time paid up thereon. Such dividends shall accrue from such date or dates as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined then from the date of allotment. Warrants or cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far Northern branches excepted) shall be issued in respect of such dividends. If on any dividend payment date the dividend payable on such date is not paid in full on all of the Preferred Shares Series A then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient moneys properly applicable to the payment of the same.

(2) If in any fiscal year of the Company commencing with the fiscal year ending July 31, 1964, the Consolidated Net Earnings of the Company shall exceed the sum of \$90,000 the holders of record of the Preferred Shares Series A on the 1st day of December in the next succeeding fiscal year shall on such date become entitled to receive and the board of directors shall declare prior to the 15th day of December in such next succeeding fiscal year and the Company shall pay to the holders thereof on the 15th day of December in such next succeeding fiscal year a participating dividend, equal in aggregate amount to the lesser of (i) 5% of each full \$12,000 of the amount of such excess or (ii) that proportion of 5% of each full \$12,000 of the amount of such excess that bears the same ratio to 5% of each such full \$12,000 of the amount of such excess as the number of Preferred Shares Series A issued and outstanding on the first day of December in such next succeeding fiscal year bears to 60,000. The holders of the Preferred Shares Series A shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for in paragraph (1) and in this paragraph.

(3) In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series A shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends thereon have been paid up to the date of such distribution) and if such liquidation, dissolution, winding-up or distribution be voluntary an additional amount equal to six (6%) per cent of the amount paid up thereon before any amount shall be paid or any property or assets of the Company distributed to the holders of any Common Shares or shares of any other class ranking junior to the Preferred Shares Series A. After payment to the holders of the Preferred Shares Series A of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company.

(4) Subject to the provisions of Section 61 of the Companies Act and subject to the provisions of paragraph (7) hereof, the Company may at any time or times purchase (if obtainable) for cancellation the whole or any part of the Preferred Shares Series A outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange), or by invitation for tenders addressed to all the holders of record of the Preferred Shares Series A outstanding at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the price at which, at date of purchase, such shares are redeemable as provided in paragraph (5) hereof plus costs of purchase. If upon any invitation for tenders under the provisions of this paragraph, the Company shall receive tenders of Preferred Shares Series A at the same lowest price which the Company may be willing to pay in an aggregate number of shares greater than the number of shares for which the Company is prepared to accept tenders, the Preferred Shares Series A so tendered shall be purchased as nearly as may be pro rata (disregarding fractions) according to the number of Preferred Shares Series A so tendered by each of the holders of Preferred Shares Series A who submitted tenders at the said same lowest price. From and after the date of purchase of any Preferred Shares Series A under the provisions in this paragraph contained the shares so purchased shall be deemed to be redeemed and shall be cancelled.

(5) Subject to the provisions of paragraph (7) hereof, the Company may upon giving notice as hereinafter provided redeem at any time after December 31, 1966 the whole or from time to time any part of the then outstanding Preferred Shares Series A on payment for each share to be redeemed of the sum of \$10.50 together with all accrued and unpaid preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends thereon have been paid up to the date of such redemption). In case a part only of the then outstanding Preferred Shares Series A is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the directors or the transfer agent appointed by the Company in respect of the Preferred Shares Series A shall decide, or if the directors so determine may be redeemed pro rata disregarding fractions.

(6) In any case of redemption of Preferred Shares Series A under the provisions of paragraph (5) hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Preferred Shares Series A to be redeemed a notice in writing of the intention of the Company to redeem such Preferred Shares Series A. Such notice shall be

mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares Series A to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place designated in such notice of the certificates for the Preferred Shares Series A called for redemption. Such Preferred Shares Series A shall thereupon be and be deemed to be redeemed and shall be cancelled. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified in any such notice, the Preferred Shares Series A called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Company shall have the right at any time after the mailing of notice of its intention to redeem any Preferred Shares Series A as aforesaid to deposit the redemption price of the shares so called for redemption or of such of the said shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such Preferred Shares Series A called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made, the Preferred Shares Series A in respect whereof such deposit shall have been made shall be deemed to be redeemed and shall be cancelled and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively.

(7) No dividends shall at any time be declared or, having been declared, be paid on or set apart for the Common Shares or any of them or any other shares of the Company junior to the Preferred Shares Series A nor shall the Company call for redemption and/or purchase any Preferred Shares Series A less than the total amount then outstanding unless all dividends up to and including the dividend payable for the last completed quarter on the Preferred Shares Series A then issued and outstanding shall have been declared and paid or provided for at the date of such declaration or payment or setting apart or call for redemption or purchase.

(8) Subject as hereinafter provided so long as any of the Preferred Shares Series A are outstanding the Company shall on or before the first (1st) day of October in each year commencing with the year 1965 set aside to the credit of a special account on the books of the Company as a fund for the purchase of the Preferred Shares Series A an amount equal to three per cent (3%) of the Net Income of the Company for the last preceding fiscal year of the Company available for dividends less the aggregate of all dividends paid during such last preceding fiscal year on all Preferred Shares Series A. For the purpose of this paragraph Net Income of the Company available for dividends shall mean the amount of the Net Profit (on a consolidated basis if the Company has any subsidiaries) as shown in the financial statements of the Company and its subsidiaries, if any, presented or to be presented to the shareholders at the annual meeting of the shareholders. Any amount or amounts set aside in a special account on the books of the Company as a purchase fund as aforesaid need not be kept separate from other moneys of the Company and pending the use or application thereof for the purposes hereinafter provided may be employed in the business of the Company.

Subject as hereinafter provided, the amount from time to time to the credit of the said special account shall be applied as soon as practicable to the purchase of Preferred Shares Series A (if obtainable) in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the redemption price as provided in paragraph (5) hereof and costs of purchase; if and to the extent to which Preferred Shares Series A cannot be so purchased at prices not exceeding the said price the Company shall not be obligated to make any application of the said amount until such shares in the opinion of the board of directors can be so purchased and so on from time to time so long as any of the Preferred Shares Series A shall be outstanding. Any Preferred Shares Series A purchased under the provisions of this paragraph shall be deemed to be redeemed and shall be cancelled. Notwithstanding anything herein contained the Company shall not be required to purchase any Preferred Shares Series A in accordance with the provisions of this paragraph (8) if and so long as such purchase would constitute a breach by the Company of the provisions of an indenture or deed of trust and/or mortgage hereafter created and constituting a first fixed charge on the assets of the Company and securing a first mortgage bond in a principal amount not to exceed \$700,000.

The Company may at any time anticipate the whole or any part of its Preferred Shares Series A purchase fund obligations by purchasing or redeeming Preferred Shares Series A by one or more of the

methods provided by paragraphs (4) and (5) and crediting the cost thereof, not exceeding the redemption price as provided in paragraph (5) hereof plus reasonable costs of purchase, in reduction of the amounts of any Preferred Shares Series A purchase fund obligations thereafter becoming due.

In the event that there is a credit balance of more than \$15,000 in the Preferred Share Series A purchase fund as of the thirty-first day of December, A.D. 1968, or as of the thirty-first day of December in any of the years 1973, 1978, 1983 or 1988, the Company will apply such credit balance in full, immediately after such December thirty-first date or dates when such credit balance exists, in the purchase or redemption of Preferred Shares Series A by one or more of the methods provided by paragraphs (4) and (5).

(9) So long as any of the Preferred Shares Series A are outstanding, the Company shall not without, but may from time to time with, the authorization of the holders of the Preferred Shares Series A given as specified in paragraph (12) hereof:

(a) increase the authorized amount of Preferred Shares or create or issue any class of shares ranking in priority to or on a parity with the Preferred Shares; or

(b) issue any Preferred Shares in addition to the Preferred Shares Series A (hereinafter in this paragraph (b) called "additional shares") unless Consolidated Net Earnings for any period of twelve (12) consecutive months out of the eighteen (18) months immediately preceding the date of issue of such additional shares shall have been at least equal to two and one-half ($2\frac{1}{2}$) times the maximum annual dividend requirements on all the Preferred Shares to be outstanding immediately after such issue; provided that any Preferred Shares outstanding at the time of any issue of additional shares as aforesaid which are to be retired within sixty (60) days following such time shall be deemed not to be outstanding immediately after such issue of additional shares if such outstanding Preferred Shares shall have been duly called for redemption as of a date within such period of sixty (60) days and if adequate provision has been made assuring that such shares will be redeemed on the date so specified for redemption; and provided further that if the Company or any subsidiary has subsequent to the beginning of the Company's last fiscal year purchased or proposes to acquire as incidental to the proposed issuance of Preferred Shares any business either by direct acquisition or indirectly by purchase of shares or otherwise, there shall be included in such Consolidated Net Earnings the earnings of such business which would have been included in the Consolidated Net Earnings had the acquisition taken place on or prior to the beginning of the Company's last fiscal year; or

(c) subject to the provisions of the Companies Act, redeem, purchase, reduce or otherwise pay off any shares ranking junior to the Preferred Shares (except out of the proceeds of the issue of the Preferred Shares Series A and except out of the proceeds of an issue of shares ranking junior to the Preferred Shares Series A and prior to or contemporaneously with any such redemption, purchase, reduction or other payment off), (i) unless all dividends, up to and including the dividend payable on the last preceding dividend payment date, on all the Preferred Shares then issued and outstanding shall have been declared and paid or provided for, or (ii) if, after giving effect thereto, the aggregate amount of the capital paid up on the Common Shares and any other shares of the Company ranking junior to the Preferred Shares plus the Consolidated Earned Surplus (both as at the date of such redemption, purchase, reduction or other payment off) would be less than the sum of \$500,000; or

(d) declare, pay or set apart any dividend on the Common Shares or any other shares of the Company ranking junior to the Preferred Shares if such declaration, payment or setting apart would reduce the Consolidated Earned Surplus (as at the date of such declaration, payment or setting apart) below an amount equal to dividend requirements for 3 years on all Preferred Shares then outstanding; or

(e) create, assume or guarantee or permit any subsidiary to create, assume or guarantee any Funded Obligations unless Average Consolidated Income for the three (3) fiscal years of the Company next preceding the date of issue of such Funded Obligations, shall have been at least three (3) times the maximum annual interest requirements on all Funded Obligations of the Company which will be outstanding after the creation, assumption or guarantee of the Funded Obligations proposed to be created, assumed or guaranteed; provided, however, that any Funded Obligations to be retired out of the proceeds of the Funded Obligations to be created, assumed or guaranteed shall not be considered to be outstanding for the purpose of this paragraph, and provided, further, that the restrictions contained in this paragraph shall not apply to nor operate to prevent the renewing or refunding of any Funded Obligations to the extent of the principal amount of any such Funded Obligations at the time of such renewal or refunding, and provided further that nothing herein contained shall be deemed to prohibit the Company from hereafter authorizing, creating and issuing a First Mortgage Bond in a principal amount not to exceed \$700,000 to be secured by a first fixed and specific charge on the undertaking and assets of the Company.

(10) In these provisions the following terms shall have the following respective meanings:

(a) "subsidiary" means any corporation or company of which more than 50% of the outstanding voting shares are for the time being owned by or held for the Company and/or any subsidiary of the Company and includes any corporation or company in like relation to a subsidiary. "Voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened.

(b) "Consolidated Net Earnings" means all the gross earnings and income of the Company and its subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its subsidiaries (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice, after making due allowance for minority interests, if any, and after proper allowance for depreciation, depletion, amortization and taxes (including income taxes). The net earnings of any subsidiary for the purpose of this definition shall only include the net earnings of such subsidiary from the date when such subsidiary became a subsidiary of the Company, subject as hereinafter provided.

If, at the time of determining Consolidated Net Earnings for any past period, the Company or any subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of the then proposed issue of Preferred Shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to which a resolution of the directors shall be conclusive and binding), then the net earnings or net losses of such property or such other company for the same past period (calculated in accordance with the provisions herein contained respecting Consolidated Net Earnings) shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of Consolidated Net Earnings.

Consolidated Net Earnings shall be determined by the auditors of the Company whose determination shall be conclusive and binding on the Company and the holders of shares of every class.

(c) "Consolidated Earned Surplus" means the Consolidated Net Earnings since August 24th, 1944, less all dividends declared and/or paid (other than in shares of the Company's capital) on all shares of all classes of the Company's capital and all items which in accordance with generally accepted accounting practice are properly chargeable to earned surplus, the whole as determined on a consolidated basis in accordance with generally accepted accounting practice.

(d) "Average Consolidated Income" for any specified number of fiscal years of the Company means Average Consolidated Net Earnings for such specified years except that in the determination thereof there shall be added back all amounts deducted in the computation thereof in respect of income taxes and interest on Funded Obligations divided by the number of years specified.

(e) "Funded Obligations" means any indebtedness, whether secured or unsecured, incurred by way of issue, pledge, assumption or otherwise, the principal amount of which is not payable on demand and the due date of payment of which principal amount, including any right of extension or renewal, is 18 months or more after the date on which it is incurred and any liability (contingent or otherwise) in respect of any guarantee of any such indebtedness of any person, firm or corporation (other than the Company or any subsidiary) but does not include Purchase Money Obligations or Mortgage Debt, or bankers' advances in the ordinary course of business.

(f) "Purchase Money Obligations" means any mortgage, hypothec, charge, vendor's privilege, vendor's lien or other encumbrance upon land, buildings, plant or equipment of a fixed or permanent nature acquired by the Company or any Subsidiary, which is given or assumed or which arises by operation of law to secure at the time of acquisition the payment of the whole or any part of the cost of such property, and includes any renewal, refunding and extension of any such encumbrance not in excess of the principal amount thereof remaining unpaid immediately prior to such renewal, refunding or extension.

(g) "Mortgage Debt" means any indebtedness incurred by way of loan and secured by a first fixed and specific mortgage, hypothec or charge on or of real or immovable property, provided such mortgage, hypothec or charge is not constituted by a trust deed, trust indenture or other instrument in favour of a trustee for the holder or holders of such indebtedness.

(11) The provisions contained in paragraphs (1) to (10) hereof inclusive may be deleted, varied, modified, amended or amplified by supplementary letters patent but only with the authorization of the holders of Preferred Shares Series A given as specified in paragraph (12) hereof in addition to any vote or authorization required by The Companies Act.

(12) The approval of holders of the Preferred Shares Series A as to any and all matters referred to herein may be given by compromise or arrangement under the Companies Act or by by-law sanctioned at a meeting of holders of Preferred Shares Series A duly called and held upon at least twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares Series A are present or represented by proxy and carried by the affirmative vote of the holders of not less than seventy-five per cent (75%) of the Preferred Shares Series A represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding Preferred Shares Series A are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be

given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares Series A present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than seventy-five per cent (75%) of the Preferred Shares Series A represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Preferred Shares Series A referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares Series A shall be entitled to one vote in respect of each Preferred Share Series A held.

Common Shares

The Common Shares of the capital of the Company carry the right to one vote per share at all meetings of Common Shareholders and the rights of the holders of the Common Shares are subject to the prior rights of the holders of the First Preferred Shares.

9. The Company is at the date hereof indebted to the Industrial Development Bank for a loan in the outstanding principal amount of \$226,290, secured by a debenture and collaterally secured by a First Mortgage, a floating charge on the undertaking and assets of the Company and a chattel mortgage. The Company intends to repay, out of the proceeds of the issue of the Preferred Shares Series A and the 30,000 Common Shares hereby offered, the whole of the said sum of \$226,290 plus a prepayment penalty of 6% of the outstanding principal of the said loan at the time of such prepayment. The Company proposes during 1964 to authorize the creation of 6½% First Mortgage Bonds and to issue in 1964, \$700,000 principal amount thereof from time to time as required by construction commitments. Agreements dated November 28th, 1963 have been concluded between the Company and Sun Life Assurance Company of Canada and between the Company and York Trust and Savings Corporation to purchase \$500,000 and \$200,000 respectively in principal amount of said First Mortgage Bonds. It is expected that the First Mortgage Bonds will be issued in accordance with a trust indenture and will be secured by a first fixed and specific mortgage, pledge and charge on all of the Company's real and immoveable properties and rights, including all buildings, fixed plant and fixed equipment of the Company situate thereon and by a floating charge on the undertaking and all other property and assets, both present and future of the Company. The trust indenture will limit the issue of Bonds to \$1,500,000 in principal amount of which the aforementioned \$700,000 in principal amount will constitute the first series ("Series A") authorized for issuance. Additional Bonds over and above the \$700,000 in principal amount thereof shall only be issued if the pro-forma net tangible assets of the Company will equal at least 250% of all Bonds to be outstanding after such issue and net earnings after proper depreciation charges, but before interest charges and income taxes, shall have averaged four time pro-forma Bond interest charges in two out of the three latest consecutive fiscal years (including the latest fiscal year) immediately preceding the date of the issue of additional Bonds. It is also expected that the trust indenture will provide for sinking fund commitments of \$35,000 per annum at par to commence two years after the date of the trust indenture; provide that the Bonds will be redeemable at a premium of 6½% during the first year of issue, such premium declining annually by 0.35% per annum to par during the twentieth year, and during the first ten years the Bonds shall not be refundable in contemplation or out of the proceeds of an issue of funded debt having an actual interest cost to the Company of less than 6½% per annum (funded debt being any indebtedness maturing more than 18 months from the date of its creation); provide that no funded debt junior to the Bonds shall be issued having a maturity date earlier than or with a provision for retirement thereof at a proportionately greater rate than the Series "A" Bonds; provide that dividend payments on shares of the Company and capital repayments shall be made only out of net earnings (after taxes and all charges) of the Company subsequent to July 31st, 1963 plus the sum of approximately \$72,000.00 and require that net current assets of the Company after such payments will not be reduced below the greater of \$400,000 or 50% of the principal amount of all Bonds outstanding; provide as to leases of real and personal property that if the original term thereof is more than three years then the maximum annual rental payments shall not exceed \$15,000; provide that the principal amount outstanding at any one time on purchase money obligations and conditional sales contracts shall not exceed \$100,000. The Series "A" Bonds when issued will be accompanied by stock purchase warrants covering the right to purchase 30 Common Shares for each \$1,000 in principal amount of Series "A" Bonds issued. Such warrants will allow the holders thereof to purchase Common Shares of the Company at \$6 per share for the first five years and \$7 per share for the second five years with provision being made for adjustment of the number of shares purchaseable upon occurrence of certain events including stock dividends, stock splits, reclassification and the issuance of Common Shares for less than the current per share exercise price. It is not at present proposed that any securities other than the \$700,000 principal amount of First Mortgage Bonds will be issued by the Company which, if issued, will rank ahead of or *pari passu* with the Preferred Shares Series A or Common Shares offered by this Prospectus. Reference is made to paragraph 8 hereof.

10. No substantial indebtedness, other than indebtedness which may be incurred in the ordinary course of the business and operations of the Company, is to be created or assumed which is not shown or

referred to in the Balance Sheet and Pro-Forma Balance Sheet of the Company as at July 31st, 1963, and the Notes thereto, accompanying and forming a part of this Prospectus. Reference is made to paragraph 9 hereof.

11. No securities of the Company are covered by outstanding options given by the Company or options proposed to be given by the Company. However, the Company proposes to establish an incentive stock option plan for key employees of the Company, or of any subsidiary of the Company, pursuant to which employees will be granted options to purchase Common Shares without par value in the capital of the Company. Although no details have been settled with respect to such stock option plan, it is proposed that the number of Common Shares covered thereby will not exceed 21,000 shares and the price per share at which any option thereunder may be granted will not be less than \$5 per share. Reference is also made to paragraph 9 hereof for particulars of stock purchase warrants which will be granted when the First Mortgage Bonds referred to therein are issued.

12. The number of securities of each class offered by this Prospectus, their correct descriptive titles and the issue prices to the public and the terms thereof are as shown on the facing pages of this Prospectus, to which reference is hereby expressly made.

13. The estimated net proceeds to be derived by the Company from the sale to the Underwriters of 60,000 Preferred Shares Series A and 30,000 Common Shares on the basis of such securities being fully taken up and paid for are \$693,000 less legal, auditing and other expenses incurred by the Company and aggregating an estimated \$20,000. Reference is made to paragraph 16 hereof and the agreement between the Underwriters and Eric Hanus Cerny and Gustave Walter Fewks referred to therein relating to the purchase by the Underwriters of an aggregate of 12,500 presently issued Common Shares of the Company. No part of the proceeds from the sale of said Common Shares will accrue to the Company.

14. The net proceeds, less the expenses referred to in paragraph 13 hereof, from the sale by the Company of the 60,000 Preferred Shares Series A and the 30,000 Common Shares offered by this Prospectus will be used, together with the proceeds from the proposed issue of \$700,000 principal amount of First Mortgage Bonds referred to in paragraph 9 hereof, and the present current assets of the Company, to repay the Industrial Development Bank loan of \$226,290 plus accrued interest and prepayment premium amounting to 6% of the principal outstanding at the time of repayment as referred to in paragraph 9, for the purchase of land estimated to cost \$15,000, to repay shareholders' advances of \$21,800 set up on the books of the Company upon the redemption of preferred shares and to form part of a Construction and New Equipment Fund of some \$1,073,916 for the construction of a new plant and the purchase of necessary equipment.

15. In the opinion of the Directors of the Company the minimum amount which must be raised by the issue of the 60,000 Preferred Shares Series A and the 30,000 Common Shares over and above the net amount estimated to be realized from the proposed creation and sale of \$700,000 principal amount of First Mortgage Bonds, to provide the sums required or the balance of the sums required for the purposes referred to in paragraph 14 hereof is \$693,000 less the expenses referred to in paragraph 13 hereof. Reference is made to the agreement referred to in paragraph 16 hereof respecting the sale to the Underwriters by Eric Hanus Cerny and Gustave Walter Fewks of an aggregate of 12,500 presently issued Common Shares of the Company.

16. Pursuant to an agreement dated the 26th day of November, 1963, made between the Company and Moss Lawson & Co. Ltd. and Deacon Findley Coyne Limited, (herein sometimes collectively referred to as the "Underwriters"), the Company agreed to sell to the Underwriters and the Underwriters have agreed on their own behalf to purchase, subject to the terms and conditions stated therein

- (a) 60,000 Preferred Shares Series A with a par value of \$10 each in the capital of the Company at par;
- (b) 30,000 Common Shares without par value in the capital of the Company for a consideration of \$150,000.

The purchase price for the said Preferred Shares Series A and Common Shares aforesaid is payable against delivery of certificates representing the said Shares. The Company has agreed to pay the Underwriters commissions of \$42,000 and \$15,000 respectively in consideration of their subscribing for the aforesaid 60,000 Preferred Shares Series A and 30,000 Common Shares. The Company has agreed to pay the Underwriters a placement commission equal to 2% of the principal amount of such of the First Mortgage Bonds referred to in paragraph 9 hereof as are issued and sold by the Company from time to time. By an agreement also dated the 26th day of November, 1963, made between Eric Hanus Cerny and Gustave Walter Fewks, both Directors of the Company, and the Underwriters aforesaid, it was agreed that the Underwriters as principals would purchase and Eric Hanus Cerny and Gustave Walter Fewks would sell 11,250 and 1,250 Common Shares respectively for the aggregate purchase price of \$56,250. Said 12,500 Common Shares are outstanding shares and no proceeds from the sale thereof will be received by the Company.

17. The by-laws of the Company provide in respect of remuneration of directors as follows:

"The directors shall be paid such remuneration, if any, as the Board may from time to time determine. Any remuneration so payable to a director who is also an officer or employee of the company or who is counsel or solicitor to the company or otherwise serves it in a professional capacity shall be in addition to his salary as such officer or to his professional fees as the case may be. In addition the Board may by resolution from time to time award special remuneration out of the funds of the company to any director who performs any special work or services for, or undertakes any special mission on behalf of, the company outside the work or services ordinarily required of a director of the company. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending Board, committee or shareholders' meetings or otherwise in respect of the performance by them or their duties as the Board may from time to time determine. No confirmation by the shareholders of any such remuneration or payment shall be required."

18. No remuneration was paid by the Company during its financial year ended July 31st, 1963 to directors, as such, and the aggregate remuneration paid during such financial year to officers who individually received remuneration in excess of \$10,000 per annum was \$79,547. No remuneration is estimated to be paid or payable during the current financial year of the Company to its directors as such and it is estimated that the aggregate remuneration paid or payable to officers who individually may be entitled to receive remuneration in excess of \$10,000 is \$90,000.

19. No amount has been paid within the two years preceding the date of this Prospectus or is payable as commission by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company. The commission or discount allowed to the Underwriters in respect of the securities offered by this Prospectus and the First Mortgage Bonds proposed to be issued by the Company is referred to in paragraph **16** hereof.

20. No property has been purchased or acquired by the Company or is proposed to be purchased or acquired, the purchase price of which has been paid within the two years preceding the date hereof or is to be paid in whole or in part in securities of the Company, or the purchase or acquisition of which has not been completed at the date hereof, except transactions entered into in the ordinary course of operations or on the general credit of the Company except that the Company proposes to purchase land, construct a new plant and purchase necessary equipment all as more particularly set forth in paragraph **14** hereof. With reference to the lands being acquired, the Company has entered into an agreement dated November 25, 1963 with The Corporation of the Town of Midland, Midland, Ontario, as vendor, whereby the Company has agreed to purchase and the vendor has agreed to sell approximately 16 acres of land in the Town of Midland at a price of \$950 per acre. The Company will acquire title to said lands in fee simple free of encumbrance, but such lands will in due course become subject to the mortgage, lien and charge securing the First Mortgage Bonds to be issued and referred to in paragraph **9** hereof.

21. No securities of the Company have within the two years preceding the date of this Prospectus been issued or agreed to be issued as fully paid or partly paid up otherwise than in cash. Reference is hereby made to paragraph **7** hereof and to the securities proposed to be issued as referred to in paragraph **16**.

22. No obligations are to be offered by this Prospectus.

23. Exclusive of services rendered or to be rendered in the ordinary course of business and legal, auditing and other services in connection with the issuance of the First Mortgage Bonds referred to in paragraph **9** hereof and the issue of the securities offered by this Prospectus, no services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the securities hereby offered. No services have been rendered or are to be rendered to the Company which have been within the two years preceding the date of this Prospectus or are to be paid for by securities of the Company. Reference is, however, made to the proposed incentive stock option plan for key employees referred to in paragraph **11** hereof.

24. No amount has been paid within the two years preceding the date of this Prospectus or is intended to be paid to any promoter of the Company as such.

25. No material contracts have been entered into within the two years preceding the date hereof other than contracts entered into in the ordinary course of business, except:

- (i) the agreement with Moss Lawson & Co. Ltd. and Deacon Findley Coyne Limited referred to in paragraph **16** hereof.
- (ii) the agreement dated November 25, 1963 with The Corporation of the Town of Midland referred to in paragraph **20** hereof.
- (iii) the agreement dated November 28, 1963 with Sun Life Assurance Company of Canada respecting the sale to it of \$500,000 in principal amount of First Mortgage Bonds referred to in paragraph **9** hereof.

- (iv) the agreement dated November 28, 1963 with York Trust and Savings Corporation respecting the sale to it of \$200,000 in principal amount of First Mortgage Bonds referred to in paragraph 9 hereof.

Copies of the above mentioned agreements may be inspected at the Ninth Floor, 302 Bay Street, Toronto, Ontario, during ordinary business hours during the course of primary distribution to the public of the securities offered hereby.

26. No director of the Company or firm of which a director is a partner has any interest in the promotion of or in any property acquired by the Company or proposed to be acquired by the Company within the two years preceding the date hereof.

27. The Company has been carrying on business for more than three years.

28. Midland Silks Limited, 92 Lakeshore Road, Pointe Clair, Quebec, of which Eric H. Cerny, a director of the Company, is the controlling shareholder and the said Eric H. Cerny are in a position to elect or cause to be elected a majority of the directors of the Company. The present holders of Common Shares of the Company and the Company have agreed with the Underwriters that, until July 31, 1973 or until the holders of the First Preferred Shares may become entitled as a class to elect three directors to the Board, whichever shall first occur, three representatives of the Underwriters shall be elected to the Board of directors of the Company.

29. No shares of the Company are to the knowledge of the signatories hereto held in escrow. The holders of the issued Common Shares of the Company have agreed with the Underwriters that, for a period of 90 days from the date upon which the Company receives payment for the shares being sold to the Underwriters as referred to in paragraph 16, they will not sell or offer for sale any of the Common Shares of the Company owned by them. Thereafter such holders of Common Shares may offer their Common Shares for sale but in certain circumstances they are required to extend to the Underwriters a first right of refusal to purchase the same.

30. During the five years preceding the date hereof the Company paid cash dividends on its preferred shares of \$6,302.00 in the aggregate and dividends on its Class B Common Shares of \$12,500.00 in the aggregate. References to said preferred shares and Class B common shares are to shares of the Company as same were constituted prior to the issuance of Supplementary Letters Patent dated November 27, 1963.

31. There are no other material facts.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario) and by Part IX of The Securities Act, 1955 (Alberta) and there is no further material information applicable other than in the financial statements or reports where required.

DATED this 28th day of November, 1963.

Directors

(Signed) STEVEN CERNY

(Signed) E. H. CERNY

(Signed) SYDNEY J. NICHOLLS

(Signed) G. W. FEWKS

(Signed) J. REG. FINDLEY

(Signed) CHARLES G. GREENFIELD

(Signed) DONALD A. JEWITT

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario) and by Part IX of The Securities Act, 1955 (Alberta) and there is no further material information applicable other than in the financial statements or reports where required. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

DEACON FINDLEY COYNE LIMITED
By: (Signed) DONALD A. JEWITT

MOSS LAWSON & CO. LTD.
By: (Signed) DONALD G. LAWSON

The following includes the names of all individuals having more than a five per cent interest in Moss Lawson & Co. Ltd.: Donald M. M. Ross, Donald G. Lawson, Terrence J. O'Rourke, Eric M. Watson, Robert B. G. Clarke and Stanley E. Rodbard.

The following includes the names of all individuals having more than a five per cent interest in Deacon Findley Coyne Limited: F. C. Deacon, J. S. Deacon, J. Reg. Findley, D. M. Deacon, R. D. Telfer, J. W. Hetherington and H. J. Knight.

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2152

LISTED JANUARY 20th, 1964
60,000 6% Cumulative Redeemable
Participating Preferred Shares,
Series A, of \$10 par value each
Ticker abbreviation "BAY PR"
Post section 10
205,985 Common Shares without par value
Ticker abbreviation "BAY"
Dial ticker number 376
Post section 7.3

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT

BAY MILLS LIMITED

Incorporated under the laws of Canada by
Letters Patent dated August 24th, 1944

CAPITALIZATION AS AT DECEMBER 30th, 1963

	AUTHORIZED	ISSUED	TO BE LISTED
Common Shares without nominal or par value	500,000	205,985 fully paid	205,985
First Preferred Shares with a par value of \$10.00 each.....	150,000	60,000 fully paid*	60,000*

* 6% Cumulative Redeemable Participating First Preferred Shares Series A referred to as First Preferred Shares Series A.

December 30th, 1963

1.

APPLICATION

BAY MILLS LIMITED (hereinafter called the "Company") hereby makes application for listing on The Toronto Stock Exchange of 205,985 Common Shares without nominal or par value and 60,000 6% Cumulative Redeemable Participating First Preferred Shares Series A with a par value of \$10.00 each all of which are issued and outstanding as fully paid and non-assessable.

2. REFERENCE TO ATTACHED PROSPECTUS

Reference is made to the attached Prospectus dated November 28th, 1963, which Prospectus is incorporated herein and made a part hereof.

3. OPINION OF COUNSEL

Messrs. Salter, Reilly, Jamieson & Apple, 302 Bay Street, Toronto, Ontario, counsel for the Company, are filing in support of this application an opinion stating, among other things, that the Company has been duly incorporated and organized under the laws of Canada, is a valid and subsisting Company and that 60,000 6% Cumulative Redeemable Participating First Preferred Shares Series A of the par value of \$10.00 each and 205,985 Common Shares without nominal or par value of the capital stock of the Company have been validly issued and are outstanding as fully paid and non-assessable.

4. FUNDED DEBT

As at the date hereof the Company has no funded debt. The Company proposes, however, during 1964 to authorize the creation of 6½% First Mortgage Bonds of which \$700,000.00 principal amount thereof will be authorized for immediate issuance (First Mortgage Bonds Series A) as required by the Company's construction commitments. Reference is made to the attached Prospectus and paragraph 9 of the Statutory Information contained therein as to the general nature and anticipated provisions of the First Mortgage Bonds. The purchase of the First Mortgage Bonds Series A in the principal amount of \$700,000.00 has been firmly committed for.

5. OPTIONS

No unissued shares of the Company are presently covered by options. Reference is however made to the attached Prospectus and paragraph 9 of the Statutory Information contained therein as to stock purchase warrants which it is proposed will be issued to the purchasers of the First Mortgage Bonds Series A referred to above, said warrants to entitle the holders thereof to purchase 30 Common Shares without nominal or par value of the Company for each \$1,000 in principal amount of said First Mortgage Bonds Series A issued, all upon the proposed terms and conditions as set forth in said paragraph of the Statutory Information.

6. LISTING ON OTHER STOCK EXCHANGES

No shares of the Company are listed on any other stock exchange, nor is application being made for any such listing at the present time.

7. STATUS UNDER SECURITIES ACTS

The Common Shares without nominal or par value and the First Preferred Shares Series A with a par value of \$10.00 each of the capital stock of the Company application for the listing of which is made hereby were qualified for public sale in the Provinces of Ontario and Alberta.

8. FISCAL YEAR

The fiscal year of the Company ends on July 31st, in each year.

9. ANNUAL MEETING

The annual meeting of the shareholders is held at such time and place in Canada in each year as the Board of Directors of the Company from time to time determines. The last annual meeting was held on October 30th, 1963.

A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act.

This Prospectus is not, and under no circumstances is to be construed as, a public offering of these Preferred Shares Series A and Common Shares for sale in the United States of America or in the territories or possessions thereof.

Bay Mills Limited

60,000 Cumulative Redeemable Participating

First Preferred Shares Series A

42,500 Common Shares

Prospectus

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A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act.

This Prospectus is not, and under no circumstances is to be construed as, a public offering of these Preferred Shares Series A and Common Shares for sale in the United States of America or in the territories or possessions thereof.

NEW ISSUE

\$750,000

60,000 First Preferred Shares and 30,000 Common Shares

Bay Mills Limited

(Incorporated under the laws of Canada)

6% Cumulative Redeemable Participating First Preferred Shares Series A
(of the Par Value of \$10 each)

and

Common Shares Without Par Value

Offered in units consisting of two Preferred Shares and one Common Share

The 6% Cumulative Redeemable Participating First Preferred Shares Series A (hereinafter sometimes called the "Preferred Shares Series A") are preferred as to capital and dividends. Fixed cumulative preferential dividends at the rate of 6% per annum as and when declared by the Board of Directors will be payable quarterly in lawful money of Canada on the first days of March, June, September and December in each year at any branch in Canada of the Company's bankers (far northern branches excepted). Dividends will accrue from December 27, 1963.

Redeemable at the option of the Company at any time after December 31, 1966, in whole or from time to time in part on not less than thirty days' notice at \$10.50 per share together with all accrued and unpaid preferential dividends thereon to the date of redemption.

The rights, restrictions, conditions and limitations to be attached to the Preferred Shares Series A are fully set forth in the Statutory Information forming part of this Prospectus.

A Preferred Shares Series A Purchase Fund is to be provided as more fully described in paragraph 8 in the Statutory Information of this Prospectus.

Participating Privilege

Subject to the provisions and conditions fully set forth in paragraph 8 of the Statutory Information to which reference is hereby expressly made, if in any fiscal year of the Company commencing with the fiscal year ending July 31, 1964 the Consolidated Net Earnings of the Company (as defined) shall exceed the sum of \$90,000, the holders of record of the Preferred Shares Series A on December 1st in the next succeeding fiscal year shall be entitled to be paid on December 15th in such succeeding fiscal year a participating dividend equal in the aggregate amount to 5% of each full \$12,000 of the amount of such excess.

Transfer Agent and Registrar for the Preferred Shares Series A and Common Shares:
York Trust and Savings Corporation, Toronto.

We, as principals, offer these Preferred Shares Series A and Common Shares, subject to prior sale and change in price, if, as and when authorized and issued by the Company and accepted by us and subject to the approval of all legal matters, on behalf of the Company, by Messrs. Salter, Reilly, Jamieson & Apple, Toronto, and on our behalf by Messrs. Stevens Hassard & Elliott, Toronto.

PRICE: \$25 per unit

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that definitive share certificates will be available for delivery in Toronto and Calgary on or about December 27, 1963.

A copy of this Prospectus has been filed with the Secretary of State of Canada in accordance with the provisions of the Companies Act.

This Prospectus is not, and under no circumstances is to be construed as, a public offering of these Common Shares for sale in the United States of America or in the territories or possessions thereof.

OUTSTANDING ISSUE

12,500 Common Shares

Bay Mills Limited

(Incorporated under the laws of Canada)

Common Shares without nominal or par value

Transfer Agent and Registrar: York Trust and Savings Corporation, Toronto

PRICE: \$5 per Share

We, as principals, offer these Common Shares without nominal or par value, subject to prior sale and change in price, if, as and when accepted by us and subject to the approval of all legal matters, on behalf of the Company, by Messrs. Salter, Reilly, Jamieson & Apple, Toronto, and on our behalf by Messrs. Stevens, Hassard & Elliott, Toronto.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that definitive share certificates will be available for delivery in Toronto and Calgary on or about December 27, 1963.

The Company has supplied the following information in connection with the sale of the securities offered by this Prospectus.

Bay Mills Limited (the Company) was incorporated as a private company in August, 1944 as Fine Silk Limited. At its inception it acquired the assets of Fine Silk Mills Limited, a family textile business with a factory situated in Midland, Ontario. The principal business of the Company was weaving silk, rayon and woollens for the clothing and interior decorating industries and was continued as such until 1954. Due to the uncertainties of the textile industry, operations were of a fluctuating nature and it was decided to seek other and more profitable fields for the Company's activities.

A major decision was made in November 1954 to change the nature of the Company's business; to seek out and specialize in the manufacture and sale of fabrics for industrial purposes, a process requiring a high degree of technological skill. At the same time, charter amendments were granted changing the Company's name to Bay Mills Limited. As a result of these decisions the Company developed an engineering approach to the needs of industry for a wide range of industrial textiles and commenced to pioneer in the conversion of the increasing number of synthetic fibres which appeared after World War II.

In less than ten years the Company has become the foremost Canadian converter of Fiberglas* yarns into industrial fabrics. It is interesting to note that the difficulties in mastering the techniques of this manufacturing process have resulted in a major concentration of Fiberglas weaving in the United States into five companies:

J. P. Stevens & Co. Inc.,
Burlington Industries Inc.,
United Merchants & Manufacturers Inc.,
Clark-Schwebel Fiber Glass Corporation,
Exeter Manufacturing Inc.

The Company has kept abreast of the developments in the industry in North America, and has pioneered in the development of improved metal filtration fabrics used in aluminum manufacturing. These products have a wide domestic market and are also marketed in Central and South America and in Africa.

Plant and Facilities

The present site of the Company's operations, totalling 46,000 square feet of floor space, consists of a head office and warehouse building of brick and concrete, erected in 1961; a mill construction building erected in 1917, consisting of 34,000 square feet and a concrete block addition erected in 1960, all of which are on premises owned by the Company, and located in Midland, Ontario. The plant, which employs 110 people, operates on a three shift basis.

In order to manufacture its present line of products, the Company has installed modern machinery, consisting of preparatory, weaving, finishing and laboratory equipment.

The Company has maintained a policy of continual modernization and its processes are as fully automated as possible within the limitations of its present premises.

Purposes of Issue

The present facilities have become inadequate to handle the expanding sales of the Company. It is planned to erect a modern, single-storey, sprinklered, air-conditioned structure of approximately 90,000 square feet on land to be acquired from the municipality, comprising 16.2 acres of fully serviced land facing Georgian Bay, with a railway line adjacent. The building will have 36' x 36' bays and a clear height of 18 feet under steel construction. Estimated cost of the land is \$15,000 and estimated cost of building is \$850,000, including architects' fees. Construction is scheduled for completion in the fall of 1964.

It is intended to install additional equipment, at an estimated cost of approximately \$350,000, which will enable the Company to produce pre-impregnated fabrics for the aircraft industry and for abrasive cutting-wheel manufacturers, and to increase existing manufacturing facilities.

The Company's new plant, when completed, will be among Canada's most highly automated manufacturing establishments. The Company anticipates being able to institute major savings in handling costs, considered impossible in the existing plant due to the limitations of floor space and floor loading.

Sales

The Company's products are sold across Canada directly and through distributors to customers at all trade levels, including every major hardware company in Canada. The Company's products are competitively priced in world markets. Export sales are maintained to New Zealand, Australia, Europe and

*Trade Mark registered.

South Africa, and the Company sells to the overseas aluminum raw material industries in South and Central America. The Company's new plant will permit the expansion of export sales.

Management

The Chairman of the Board, Mr. Eric H. Cerny, has spent a lifetime in the textile industry on two continents.

Mr. Steven Cerny, President of the Company, who is a graduate in textile engineering of the University of Manchester (U.K.) joined the Company in the early 1950's. He has been primarily instrumental in the conversion of the Company's operations to fibre glass manufacturing, has guided the business during the period of its greatest growth and is in charge of all policy and planning.

Mr. Sydney Nicholls, a graduate in electrical engineering from McGill University, joined the Company in 1954. He has supervised the growth of sales since the start of industrial fabrics manufacture. Mr. Nicholls has done significant work on basic engineering design problems of reinforced plastic structures.

Mr. Marek Alapin, with a degree in textile engineering from the University of North Carolina, is in charge of all manufacturing activities of the Company. He has held management positions with two of the leading fibre glass converters in the United States: Burlington Industries Inc. and Clark-Schwebel Fiber Glass Corporation, and is one of the most informed men on fibre glass manufacturing in North America.

Mr. G. W. Fewks is in charge of all export activities of the Company and has a long association with the textile industry in Europe and Canada.

Mr. George Fitzpatrick, C.A., is comptroller of the Company.

Dividend Requirements

The minimum annual dividend requirements for the 60,000 Preferred Shares Series A to be outstanding on completion of this financing will amount to \$36,000 which amount will decrease as and when the Preferred Shares Series A Purchase Fund operates.

Operations

The Company's product lines are divided into three principal categories, the first being reinforcing fabrics. Such fabrics are used in conjunction with thermo-setting resins, and are supplied to manufacturers of a variety of aircraft components including farings, wing tips and stabilizer leading edges. Such fabrics are also used in the reinforcement of asphaltic waterproofing compounds applied to large building foundations, roofs, highway overpasses, subways and pipe lines. Reinforcing fabrics are also sold to consumer market suppliers in various forms (such as Fiberglas*), as a raw material for boat builders, and to manufacturers of electronic equipment for such items as electrical boards, used for printed circuits in television broadcasting, and for Radomes, used to house radar equipment in defence early warning systems. When used to reinforce thermo-plastic films, such fabrics are sold to manufacturers of soft luggage, garden furniture and the like.

The second main category of products consists of fabrics used to filter molten metals, primarily sold to the aluminum industry, where all high grade aluminum is filtered through Fiberglas fabrics during ingot formation. Filter fabrics are also used to filter dust-laden air in order either to recover the dust or to prevent the pollution of the atmosphere, or both. Industries using dust-collection equipment incorporating these fabrics include the cement, mining, fertilizers, asbestos and carbon black industries.

The third major category of products consists of fabrics made of P.V.C. coated Fiberglas used by tent manufacturers and window manufacturers and for insect screening in cottages and private homes. The Company owns the trade mark PERMASCREEN, the brand name of the Company's insect-screen, which has gained wide consumer acceptance in Canada. The Company was the first in North America to induce tent manufacturers to use vinyl-coated screening.

Capitalization

The capitalization of the Company after giving effect to the present financing is as follows:

CAPITAL STOCK	<u>Authorized</u>	<u>Issued</u>
Common shares without nominal or par value.....	500,000	205,985 shares
First Preferred Shares with a par value of \$10 each.....	150,000	60,000 shares†

*Trade Mark registered.

†6% Cumulative Redeemable Participating First Preferred Shares Series A.

Statement of Earnings

For Ten Fiscal Periods From September 1, 1953 to July 31, 1963

Fiscal periods	Earnings (loss) before deprecia- tion, interest on long-term liabilities, taxes on income and research costs	Depreciation	Interest	Research costs		Taxes on income	Net earnings (loss) from operations
				Expense items	Depreciation		
1954.....	\$ (34,048)	\$ —	\$ 2,279	\$ —	\$ —	\$ —	\$ (36,327)
1955.....	25,432	18,727	1,943	—	—	1,800	2,962
1956.....	26,724	13,948	2,192	—	—	284	10,300
1957.....	32,428	16,807	2,734	—	—	818	12,069
1958.....	79,656	26,725	3,648	—	—	7,774	41,509
1959.....	69,145	33,528	5,370	—	—	7,760	22,487
1960.....	87,435	43,906	8,984	—	—	11,726	22,819
1961.....	136,814	38,292	10,890	—	—	35,273	52,359
1962.....	222,562	50,481	15,465	9,342	5,407	47,090	94,777
1963.....	315,033	57,166	16,790	27,560	7,393	82,000	124,124

Notes to Statement of Earnings

- (1) Commencing approximately May 1962 the company incurred research costs for the improvement of the present line of products manufactured by the company. These research costs are eligible, for income tax purposes, as a deduction from income at 150% of cost. If these costs had not been incurred the resulting net profit from operations and taxes on income (estimated) for the year ended July 31, 1963 would have been \$131,078 and \$110,000 respectively and for the year ended July 31, 1962 \$86,616 and \$70,000 respectively.
- (2) No provision for depreciation was made in the statement of earnings for the year ended August 31, 1954.
- (3) The fiscal period 1961 is for eleven months ended July 31, 1961.

Auditors' Report

To the Directors, BAY MILLS LIMITED.

We have examined the statement of earnings of BAY MILLS LIMITED for ten fiscal periods from September 1, 1953 to July 31, 1963.

With respect to the fiscal periods from September 1, 1953 to July 31, 1962 we have relied upon the reports of other auditors.

In our opinion, the accompanying statement of earnings, when read with the accompanying notes, presents fairly the earnings of the company from September 1, 1953 to July 31, 1963 in accordance with generally accepted accounting principles applied on a consistent basis.

TORONTO, ONTARIO.
November 28, 1963.

(Signed) HUTCHINS, MULLIN & BLAIR
Chartered Accountants

Summary of Certain of the Preferred Shares Series A Provisions

1. The Preferred Shares offered hereby comprise Series A of a class of 150,000 First Preferred Shares of the par value of \$10 each (hereinafter called the "Preferred Shares") issuable in series.
2. The holders of the Preferred Shares Series A will be entitled to receive, as and when declared by the board of directors, fixed cumulative preferential cash dividends at the rate of 6% per annum payable quarterly on the 1st days of March, June, September and December in each year.
3. In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series A will be entitled to receive the amount paid up thereon together with all accrued and unpaid preferential dividends thereon plus, in the case of a voluntary liquidation, dissolution, winding-up or distribution, a further sum equal to 6% of the amount paid up thereon, before any amount will be paid or any property or assets of the Company distributed to the holders of any Common Shares or any other shares ranking junior to the Preferred Shares Series A.
4. Subject to the provisions and conditions fully set forth in paragraph 8 in the Statutory Information of this prospectus to which reference is hereby expressly made, if in any fiscal year of the Company commencing with the fiscal year ending July 31, 1964, the Consolidated Net Earnings of the Company (as defined) shall exceed the sum of \$90,000, the holders of record of the Preferred Shares Series A on December 1st in the next succeeding fiscal year shall be entitled to be paid on December 15th in the same fiscal year a participating dividend equal in aggregate amount to 5% of each full \$12,000 of the amount of such excess. After payment to the holders of the Preferred Shares Series A of the amount so payable to them as aforesaid, they will not be entitled to share in any further profits of the Company.
5. Subject to the restrictions referred to below in paragraph 7, the Company will have the right to purchase Preferred Shares Series A at an amount not exceeding the redemption price thereof hereinafter specified plus costs of purchase.

6. Subject to the restrictions referred to below in paragraph 7, the Company will have the right, at its option, at any time after December 31, 1966 and from time to time thereafter, on not less than thirty days' notice, to redeem the whole or any part of the Preferred Shares Series A on payment for each share to be redeemed of \$10.50 plus all accrued and unpaid preferential dividends thereon.

7. No dividends are at any time to be declared on the Common Shares or any other shares ranking junior to the Preferred Shares Series A nor is the Company to call for redemption and/or purchase any Preferred Shares Series A less than the total amount then outstanding unless all dividends up to and including the dividend payable for the last completed quarter on the Preferred Shares Series A then issued and outstanding shall have been declared and paid or provided for at the date of such declaration or call for redemption or purchase.

8. Subject as hereinafter provided, so long as any of the Preferred Shares Series A are outstanding the Company, on or before the 1st day of October in each year, commencing with the year 1965, will be required to set aside in a special account on the books of the Company as a Purchase Fund for the Preferred Shares Series A an amount equal to 3% of the Net Income of the Company (as defined) for the last preceding fiscal year, less all dividends paid on the Preferred Shares Series A.

The amount from time to time to the credit of the said special account will be applied as soon as practicable to the purchase of Preferred Shares Series A (if obtainable) at the lowest price or prices at which, in the opinion of the board of directors, such shares are obtainable but not exceeding the redemption price thereof plus costs of purchase; to the extent to which Preferred Shares Series A cannot be so purchased at prices not exceeding the said price, the Company is not to make any application of the said amount until such shares, in the opinion of the board of directors can be so purchased, and so on from time to time so long as any of the Preferred Shares Series A are outstanding. If a credit balance of more than \$15,000 exists in the Purchase Fund as at December 31, 1968, 1973, 1978, 1983 or 1988, the Company will apply such credit balance in full to the purchase or redemption of Preferred Shares Series A. Any Preferred Shares Series A so purchased are to be deemed to be redeemed and are to be cancelled.

9. The holders of the Preferred Shares Series A will not have any voting rights nor will they be entitled to receive notice of or attend shareholders' meetings unless dividends on all Preferred Shares of any series are in arrears to the extent of six (6) quarterly dividends, whereupon, until all arrears of dividends have been paid, such holders will be entitled to attend shareholders' meetings and to one vote per share, and to elect three members of the board of directors.

10. So long as any of the Preferred Shares Series A are outstanding the Company will not, without the approval of the holders of the Preferred Shares Series A:

- (a) issue any Preferred Shares in excess of the 60,000 Preferred Shares Series A unless the Consolidated Net Earnings of the Company, as defined, for any twelve consecutive months of the eighteen months preceding the issue of the additional Preferred Shares have been at least equal to $2\frac{1}{2}$ times the annual dividend requirements on all the Preferred Shares to be outstanding immediately after such issue; or
- (b) redeem, purchase, reduce or otherwise pay off any shares ranking junior to the Preferred Shares Series A (except out of the proceeds of the issue of the Preferred Shares Series A and except out of the proceeds of an issue of shares ranking junior to the Preferred Shares Series A) unless all dividends on all the Preferred Shares then issued and outstanding have been paid or the aggregate amount of paid up capital on Common Shares and any other shares ranking junior to the Preferred Shares plus Consolidated Earned Surplus would be less than the sum of \$500,000; or
- (c) pay any dividend on the Common Shares or other shares ranking junior to the Preferred Shares if such payment would reduce Consolidated Earned Surplus below an amount equal to dividend requirements for 3 years on all Preferred Shares then outstanding; or
- (d) Subject to subparagraph 9(e) of paragraph 8 of the Statutory Information, create a Funded Obligation unless Average Consolidated Income for 3 fiscal years of the Company next preceding the date of issue of such Funded Obligation is at least three times the maximum annual interest requirement on all funded obligations to be outstanding after such creation.

11. The authorized but unissued Preferred Shares will be issuable in one or more series, with such attributes as the directors of the Company may by resolution determine. The Preferred Shares of each series will rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company. No class of shares is to be created ranking as to capital or dividends prior to or on a parity with the Preferred Shares without the approval of holders of the Preferred Shares, nor may the authorized amount of the Preferred Shares be increased, without the approval of the holders of the Preferred Shares.

BAY MILLS LIMITED
Balance Sheet and Pro-Forma Balance Sheet

(1) The pro-forma balance sheet gives effect to the following:

- (a) The issue to the company of Supplementary Letters Patent dated November 27, 1963 converting the company from a private company to a public company and changing the authorized capital to 150,000 First Preferred Shares with a par value of \$10 each issuable in series, the first series of which consists of 60,000 shares with a par value of \$10 each designated as "6% Cumulative Redeemable Participating First Preferred Shares Series A" and 500,000 Common Shares without par value. The Supplementary Letters Patent provide for the reclassification of the issued and outstanding 753 Class A common shares and the 100 Class B common shares into 175,985 Common Shares, and the return to earned surplus of \$75,000 of capital surplus arising from the redemption of preferred shares.
- (b) The creation of first mortgage sinking fund bonds in the principal amount of \$700,000 with interest at 6½%, maturing in 1984, and repayable in principal amounts of \$35,000 per annum commencing 1966, accompanied by stock purchase warrants covering the right to purchase 30 Common Shares for every \$1,000 in principal amount of bonds at a price of \$6 per share until 1969 and \$7 per share from 1969 to 1974.
- (c) The issue and sale of the following for a total cash consideration of \$1,450,000.

Preferred shares—60,000	\$600,000
Common shares—30,000	\$150,000
First mortgage bonds	\$700,000

Assets

	Balance Sheet	Pro-Forma Balance Sheet
CURRENT ASSETS		
Cash on hand and in bank (Note 1(e)).....	\$ 25,151	\$ 31,350
Accounts receivable (less allowance of \$21,457).....	379,204	379,204
Accounts receivable from affiliated company.....	39,386	39,386
Employees' receivables (Note 1 (e)).....	8,882	7,082
Inventories, valued at the lower of cost or market.....	333,805	333,805
Prepaid expenses.....	4,601	4,601
	<u>\$ 791,029</u>	<u>\$ 795,428</u>
OTHER ASSETS		
Insurance deposit.....	\$ 6,492	\$ 6,492
Other deposits.....	835	835
Cash surrender value of life insurance.....	7,225	7,225
Note and mortgage receivable, employees (Note 1 (e)).....	7,805	3,406
Financing and issue expense.....		91,000
	<u>\$ 22,357</u>	<u>\$ 108,958</u>
PROPERTY, PLANT AND EQUIPMENT AT COST		
Cash held for construction and new equipment (Note 1 (d)).....	\$	\$1,073,916
Land.....	1,000	16,000
Buildings.....	146,277	146,277
Machinery and equipment.....	526,802	526,802
Furniture and fixtures.....	24,390	24,390
Transportation equipment.....	7,538	7,538
	<u>\$ 706,007</u>	<u>\$1,794,923</u>
Less allowance for depreciation.....	392,195	392,195
	<u>\$ 313,812</u>	<u>\$1,402,728</u>
	<u><u>\$1,127,198</u></u>	<u><u>\$2,307,114</u></u>

Auditors' Report

To the Directors, BAY MILLS LIMITED.

We have examined the balance sheet and pro-forma balance sheet of BAY MILLS LIMITED as at July 31, 1963. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIMITED

Balance Sheet as at July 31, 1963

- (d) The application of \$1,450,000:
- (i) To purchase land for a new building, at an estimated cost of \$15,000.
 - (ii) To retire the Industrial Development Bank loan in the amount of \$248,284. This amount includes a prepayment penalty of \$14,054 which is charged to earned surplus in the pro-forma balance sheet.
 - (iii) To pay shareholders' advances arising from the redemption on November 26, 1963 of 218 preferred shares, \$21,800.
 - (iv) To pay legal, audit, printing and other expenses estimated at \$20,000, commissions of \$57,000 in connection with the issuance of the shares, and commission of \$14,000 in connection with the placement of the first mortgage bonds.
 - (v) To use the remainder of the proceeds \$1,073,916 to construct a new building, estimated by the directors to cost \$850,000 and to purchase new equipment estimated by the directors to cost \$350,000.
- (e) The receipt of \$6,199 in settlement of a mortgage payable to the company by a shareholder.
- (2) The Company proposes to establish an employee stock option plan extending to 21,000 Common Shares at a purchase price of not less than \$5 per share.

Liabilities

	Balance Sheet	Pro-Forma Balance Sheet
CURRENT LIABILITIES		
Accounts payable and accruals.....	\$ 293,144	\$ 293,144
Sales, income and other taxes payable.....	74,296	74,296
Current portion of loan.....	23,820	
	<u>\$ 391,260</u>	<u>\$ 367,440</u>
LONG-TERM LIABILITIES		
Industrial Development Bank, loan (less current portion \$23,820).....	\$ 210,410	\$
First mortgage sinking fund bonds, 6½% maturing in 1984 (Note 1 (b))..		700,000
	<u>\$ 210,410</u>	<u>\$ 700,000</u>
CAPITAL STOCK AND SURPLUS		
Capital stock		
BALANCE SHEET		
Authorized		
3,000 5% cumulative, redeemable preferred shares of \$100 each, less 532 redeemed—\$246,800		
1,000 Class A common shares of \$100 each—\$100,000		
100 Class B common shares of \$1 each—\$100		
Issued		
Preferred—218 shares.....	\$ 21,800	
Class A common—753 shares.....	75,300	
Class B common—100 shares.....	100	
	<u>\$ 97,200</u>	
PRO-FORMA BALANCE SHEET		
Authorized		
150,000 preferred shares with a par value of \$10 each—\$1,500,000		
500,000 common shares without par value		
Issued		
Preferred—60,000 6% Cumulative Redeemable Participating First Preferred Shares Series A.....		600,000
Common—205,985 shares.....		225,400
		<u>\$ 825,400</u>
Capital surplus resulting from redemption of preferred shares.....	53,200	
Earned surplus.....	375,128	414,274
Approved on behalf of the board:		
(Signed) STEVEN CERNY, Director		
(Signed) SYDNEY J. NICHOLLS, Director	<u>\$1,127,198</u>	<u>\$2,307,114</u>

In our opinion (a) the accompanying balance sheet presents fairly the financial position of the company as at July 31, 1963 in accordance with generally accepted accounting principles and (b) the accompanying pro-forma balance sheet, when read with the accompanying notes, presents fairly the financial position of the company after giving effect to the transactions set out in Note (1) thereto, in accordance with generally accepted accounting principles.

TORONTO, ONTARIO.
November 28, 1963.

(Signed) HUTCHINS, MULLIN & BLAIR
Chartered Accountants

Statutory Information

1. The full name of the Company is BAY MILLS LIMITED (hereinafter referred to as the "Company") and its head office is located at Midland, Ontario.

2. The Company was incorporated under the laws of Canada by Letters Patent dated August 24th, 1944. Supplementary Letters Patent dated November 2nd, 1954 were issued to the Company changing its name and further Supplementary Letters Patent dated August 18th, 1958 and August 11th, 1959 were issued to the Company reorganizing its capital. Supplementary Letters Patent dated November 27, 1963, have issued converting the Company from a private company to a public company and reorganizing its capital as set out in paragraph 7 hereof.

3. The general nature of the business actually transacted or to be transacted by the Company is the manufacture, fabrication and sale of fabrics for industrial purposes.

4. The names in full, present occupations and home addresses of the Directors and Officers of the Company are as follows:

Directors

ERIC HANUS CERNY.....	<i>Executive</i>	92 Lakeshore Road, Pointe Claire, Quebec.
STEVEN FREDERICK CERNY.....	<i>Manager</i>	Yonge Street West, Midland, Ontario.
GUSTAVE WALTER FEWKS.....	<i>Executive</i>	4940 Coronet Avenue, Montreal, Quebec.
SYDNEY JAMES NICHOLLS.....	<i>Sales Manager</i>	Cornell Drive, Midland, Ontario.
JOHN REGINALD FINDLEY.....	<i>Investment Dealer</i>	51 Sandringham Drive, Toronto, Ontario.
CHARLES GAMBLE GREENFIELD.....	<i>Investment Dealer</i>	64 Mason Boulevard, Toronto, Ontario.
DONALD ARTHUR JEWITT.....	<i>Investment Dealer</i>	100 Roehampton Avenue, Toronto, Ontario.

Officers

ERIC HANUS CERNY.....	<i>Chairman of the Board</i>	92 Lakeshore Road, Pointe Claire, Quebec.
STEVEN FREDERICK CERNY.....	<i>President</i>	Yonge Street West, Midland, Ontario.
GUSTAVE WALTER FEWKS.....	<i>Vice-President</i>	4940 Coronet Avenue, Montreal, Quebec.
SYDNEY JAMES NICHOLLS.....	<i>Secretary-Treasurer</i>	Cornell Drive, Midland, Ontario.

5. The Auditors of the Company are Messrs. Hutchins, Mullin & Blair, Chartered Accountants, 68 Yonge Street, Toronto, Ontario.

6. YORK TRUST AND SAVINGS CORPORATION, 48 Yonge Street, Toronto, Ontario, is the Transfer Agent and Registrar of the Preferred Shares Series A and the Common Shares of the Company.

7. Prior to the issuance of the Supplementary Letters Patent dated November 27th, 1963, the authorized capital of the Company consisted of 3,000 cumulative redeemable preferred shares of the par value of \$100 each, 1000 Class "A" Common Shares of the par value of \$100 each and 100 Class "B" Common Shares of the par value of \$1 each, of which 753 Class "A" Common Shares and 100 Class "B" Common Shares were issued and outstanding. Said Supplementary Letters Patent dated November 27th, 1963, inter alia, cancelled 750 of the cumulative redeemable preferred shares which had been issued and redeemed, changed and subdivided 2,250 unissued cumulative redeemable preferred shares of the par value of \$100 each into 22,500 First Preferred Shares of the par value of \$10 each, increased the capital of the Company by the creation of an additional 127,500 First Preferred Shares of the par value of \$10 each, cancelled 247 unissued Class "A" Common Shares of the par value of \$100 each, subdivided the 753 issued Class "A" Common Shares of the par value of \$100 each into 33,885 new Common Shares without nominal or par value on the basis of 45 new Common Shares without nominal or par value for each previously issued Class "A" Common Share, subdivided the 100 issued Class "B" Common Shares of the par value of \$1 each into 142,100 new Common Shares without nominal or par value on the basis of 1,421 new Common Shares without nominal or par value for each previously issued Class "B" Common Share of the par value of \$1 each, and increased the capital of the Company by creating an additional 324,015 Common Shares without nominal or par value. Of the said 750 cumulative redeemable preferred shares so cancelled, 218 had been redeemed just prior to the issuance of the said Supplementary Letters Patent dated November 27th, 1963. As a result of the issuance of said Supplementary Letters Patent, the

authorized capital of the Company now consists of 150,000 First Preferred Shares with a par value of \$10 each, none of which are issued or outstanding but whereof 60,000 shares have been designated for issuance as 6% Cumulative Redeemable Participating First Preferred Shares Series A and being the first series of the said First Preferred Shares proposed to be issued as referred to in paragraph 16 hereof, and 500,000 Common Shares without nominal or par value of which 175,985 are issued and outstanding as fully paid and non-assessable. Reference is also made to paragraph 16 concerning the additional 30,000 Common Shares without nominal or par value proposed to be issued as therein set forth.

8. The following is a description of the respective voting rights, preferences, rights to dividends, profits or capital of each class of shares of the Company, including redemption rights and rights on liquidation or distribution of capital assets.

First Preferred Shares

The 150,000 First Preferred Shares of the par value of \$10 each (hereinafter referred to as the "Preferred Shares") as a class carry and are subject to the following rights, restrictions, conditions and limitations.

(a) The directors of the Company may at any time and from time to time issue the Preferred Shares in one or more series, each series to consist of such number of shares as may before issuance thereof be determined by the directors.

(b) The directors of the Company may (subject as hereinafter provided) from time to time fix before issuance the designation, rights, restrictions, conditions and limitations to attach to the Preferred Shares of each series including, without limitation, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, voting rights and conversion rights (if any) and any sinking fund or other provisions attaching to the Preferred Shares of such series, the whole subject to the issue of supplementary letters patent setting forth the designation, rights, restrictions, conditions and limitations attaching to the Preferred Shares of such series.

(c) When any fixed cumulative dividends or amounts payable on a return of capital are not paid in full, the Preferred Shares of all series shall participate rateably in respect of such dividends including accumulations, if any, in accordance with the sums which would be payable on the said Preferred Shares if all such dividends were declared and paid in full, and on any return of capital in accordance with the sums which would be payable on such return of capital if all sums so payable were paid in full.

(d) The Preferred Shares shall be entitled to preference over the Common Shares of the Company and any other shares of the Company ranking junior to the Preferred Shares with respect to the payment of dividends and may also be given such other preferences over the Common Shares of the Company and any other shares of the Company ranking junior to the Preferred Shares as may be determined as to the respective series authorized to be issued.

(e) The Preferred Shares of each series shall rank on a parity with the Preferred Shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of liquidation, dissolution or winding-up of the Company whether voluntary or involuntary. Except with the approval of holders of the Preferred Shares given as hereinafter specified, no series of Preferred Shares shall be authorized which shall have a dividend rate in excess of six per cent (6%) per annum on the amounts from time to time paid up thereon or be entitled to receive upon liquidation, dissolution or redemption a sum in excess of one hundred and six per cent (106%) of the amounts paid up thereon plus a sum equivalent to all unpaid dividends accumulated thereon.

(f) Subject to the provisions of Section 61 of the Companies Act, Preferred Shares of any series may be made subject to redemption at such times and at such prices (subject to the foregoing provisions hereof) and upon such other terms and conditions as may be specified in the rights, restrictions, conditions and limitations attaching to the Preferred Shares of such series as set forth in the resolution of the board of directors of the Company and supplementary letters patent relating to such series. Upon the redemption of any Preferred Shares the shares so redeemed shall be cancelled.

(g) The holders of the Preferred Shares shall not, as such, be entitled as of right to subscribe for or purchase or receive any part of any issue of shares or of bonds, debentures or other securities of the Company now or hereafter authorized.

(h) No class of shares may be created ranking as to capital or dividends prior to or on a parity with the Preferred Shares without the approval of the holders of the Preferred Shares given as hereinafter specified.

(i) The holders of the Preferred Shares shall not be entitled as such (except as hereinafter specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless and until the Company from time to time shall fail to pay in the aggregate six (6) quarterly dividends on the Preferred Shares of any one (1) series on the dates on which the same should be paid according to the terms thereof whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the Preferred Shares of any series remain in arrears the holders of the Preferred Shares shall be entitled to receive notice of and to attend all

meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each Preferred Share held and in addition shall be entitled, voting separately and exclusively as a class, to elect three (3) members of the board of directors of the Company if the board consists of seven (7) or fewer directors or one-third ($\frac{1}{3}$) of the members of the board of directors if the board consists of more than seven (7) directors or if the total number be not evenly divisible by three (3), then the next highest number above one-third ($\frac{1}{3}$). Nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors.

Notwithstanding anything contained in the by-laws of the Company, the term of office of all persons who may be directors of the Company at any time when the right to elect directors shall accrue to the holders of Preferred Shares as herein provided, or who may be appointed as directors thereafter and before a meeting of shareholders shall have been held, shall terminate upon the election of directors at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right to elect directors upon not less than twenty (20) days' written notice and which shall be called by the Secretary of the Company upon the written request of the holders of record of at least one-tenth ($\frac{1}{10}$) of the outstanding Preferred Shares. In default of the calling of such general meeting by the Secretary within five (5) days after the making of such request, such meeting may be called by any holder of record of Preferred Shares.

Any vacancy or vacancies occurring among members of the board elected to represent the holders of Preferred Shares in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected to represent the holders of Preferred Shares but if there be no such remaining director or directors the board may elect or appoint sufficient holders of Preferred Shares to fill the vacancy or vacancies. Whether or not such vacancy or vacancies is or are so filled by the board, the holders of record of at least one-tenth ($\frac{1}{10}$) of the outstanding Preferred Shares shall have the right to require the Secretary of the Company to call a meeting of the holders of Preferred Shares for the purpose of filling the vacancy or vacancies or replacing all or any of the persons elected or appointed to fill such vacancy or vacancies and the provisions of the last preceding paragraph shall apply with respect to the calling of any such meeting.

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the voting rights of the holders of the Preferred Shares, the term of office of the directors elected or appointed to represent the holders of Preferred Shares shall forthwith terminate and (ii) the holding of one Preferred Share shall be sufficient to qualify a person for election or appointment as a director of the Company to represent the holders of Preferred Shares.

(j) The provisions of paragraphs (a) to (i) hereof inclusive, the provisions of this paragraph and the provisions of paragraph (k) hereof may be repealed, altered, modified, amended or amplified by supplementary letters patent but only with the approval of the holders of the Preferred Shares given as hereinafter specified in addition to any other approval required by the Companies Act.

(k) The approval of holders of the Preferred Shares as to any and all matters referred to herein may be given by compromise or arrangement under the Companies Act or by by-law sanctioned at a meeting of holders of Preferred Shares duly called and held upon at least twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares are present or represented by proxy and carried by the affirmative vote of the holders of not less than seventy-five per cent (75%) of the Preferred Shares represented and voted at such meeting cast on a poll. If at such meeting the holders of a majority of the outstanding Preferred Shares are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than seventy-five per cent (75%) of the Preferred Shares represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Preferred Shares referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares shall be entitled to one vote in respect of each Preferred Share held.

Provisions attaching to the Preferred Shares Series A

The 6% Cumulative Redeemable Participating First Preferred Shares (being the first series of the said class of 150,000 Preferred Shares and being hereinafter referred to as the "Preferred Shares Series A") in addition and subject to the rights, restrictions, conditions and limitations attaching to the Preferred Shares as a class, carry and are subject to the following rights, restrictions, conditions and limitations:

(1) The holders of the Preferred Shares Series A shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly

applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of six per cent (6%) per annum, payable quarterly on the first (1st) days of March, June, September and December in each year on the amounts from time to time paid up thereon. Such dividends shall accrue from such date or dates as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined then from the date of allotment. Warrants or cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far Northern branches excepted) shall be issued in respect of such dividends. If on any dividend payment date the dividend payable on such date is not paid in full on all of the Preferred Shares Series A then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient moneys properly applicable to the payment of the same.

(2) If in any fiscal year of the Company commencing with the fiscal year ending July 31, 1964, the Consolidated Net Earnings of the Company shall exceed the sum of \$90,000 the holders of record of the Preferred Shares Series A on the 1st day of December in the next succeeding fiscal year shall on such date become entitled to receive and the board of directors shall declare prior to the 15th day of December in such next succeeding fiscal year and the Company shall pay to the holders thereof on the 15th day of December in such next succeeding fiscal year a participating dividend, equal in aggregate amount to the lesser of (i) 5% of each full \$12,000 of the amount of such excess or (ii) that proportion of 5% of each full \$12,000 of the amount of such excess that bears the same ratio to 5% of each such full \$12,000 of the amount of such excess as the number of Preferred Shares Series A issued and outstanding on the first day of December in such next succeeding fiscal year bears to 60,000. The holders of the Preferred Shares Series A shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for in paragraph (1) and in this paragraph.

(3) In the event of the liquidation, dissolution or winding-up of the Company or other distribution of assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Preferred Shares Series A shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends thereon have been paid up to the date of such distribution) and if such liquidation, dissolution, winding-up or distribution be voluntary an additional amount equal to six (6%) per cent of the amount paid up thereon before any amount shall be paid or any property or assets of the Company distributed to the holders of any Common Shares or shares of any other class ranking junior to the Preferred Shares Series A. After payment to the holders of the Preferred Shares Series A of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company.

(4) Subject to the provisions of Section 61 of the Companies Act and subject to the provisions of paragraph (7) hereof, the Company may at any time or times purchase (if obtainable) for cancellation the whole or any part of the Preferred Shares Series A outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange), or by invitation for tenders addressed to all the holders of record of the Preferred Shares Series A outstanding at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the price at which, at date of purchase, such shares are redeemable as provided in paragraph (5) hereof plus costs of purchase. If upon any invitation for tenders under the provisions of this paragraph, the Company shall receive tenders of Preferred Shares Series A at the same lowest price which the Company may be willing to pay in an aggregate number of shares greater than the number of shares for which the Company is prepared to accept tenders, the Preferred Shares Series A so tendered shall be purchased as nearly as may be pro rata (disregarding fractions) according to the number of Preferred Shares Series A so tendered by each of the holders of Preferred Shares Series A who submitted tenders at the said same lowest price. From and after the date of purchase of any Preferred Shares Series A under the provisions in this paragraph contained the shares so purchased shall be deemed to be redeemed and shall be cancelled.

(5) Subject to the provisions of paragraph (7) hereof, the Company may upon giving notice as hereinafter provided redeem at any time after December 31, 1966 the whole or from time to time any part of the then outstanding Preferred Shares Series A on payment for each share to be redeemed of the sum of \$10.50 together with all accrued and unpaid preferential dividends thereon (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends thereon have been paid up to the date of such redemption). In case a part only of the then outstanding Preferred Shares Series A is at any time to be redeemed, the shares so to be redeemed shall be selected by lot in such manner as the directors or the transfer agent appointed by the Company in respect of the Preferred Shares Series A shall decide, or if the directors so determine may be redeemed pro rata disregarding fractions.

(6) In any case of redemption of Preferred Shares Series A under the provisions of paragraph (5) hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of Preferred Shares Series A to be redeemed a notice in writing of the intention of the Company to redeem such Preferred Shares Series A. Such notice shall be

mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder, provided, however, that accidental failure to give any such notice to one or more of such holders shall not affect the validity of such redemption. Such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the shares held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed. On or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the Preferred Shares Series A to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place designated in such notice of the certificates for the Preferred Shares Series A called for redemption. Such Preferred Shares Series A shall thereupon be and be deemed to be redeemed and shall be cancelled. If a part only of the shares represented by any certificate be redeemed, a new certificate for the balance shall be issued at the expense of the Company. From and after the date specified in any such notice, the Preferred Shares Series A called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected. The Company shall have the right at any time after the mailing of notice of its intention to redeem any Preferred Shares Series A as aforesaid to deposit the redemption price of the shares so called for redemption or of such of the said shares represented by certificates which have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such Preferred Shares Series A called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made, the Preferred Shares Series A in respect whereof such deposit shall have been made shall be deemed to be redeemed and shall be cancelled and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively.

(7) No dividends shall at any time be declared or, having been declared, be paid on or set apart for the Common Shares or any of them or any other shares of the Company junior to the Preferred Shares Series A nor shall the Company call for redemption and/or purchase any Preferred Shares Series A less than the total amount then outstanding unless all dividends up to and including the dividend payable for the last completed quarter on the Preferred Shares Series A then issued and outstanding shall have been declared and paid or provided for at the date of such declaration or payment or setting apart or call for redemption or purchase.

(8) Subject as hereinafter provided so long as any of the Preferred Shares Series A are outstanding the Company shall on or before the first (1st) day of October in each year commencing with the year 1965 set aside to the credit of a special account on the books of the Company as a fund for the purchase of the Preferred Shares Series A an amount equal to three per cent (3%) of the Net Income of the Company for the last preceding fiscal year of the Company available for dividends less the aggregate of all dividends paid during such last preceding fiscal year on all Preferred Shares Series A. For the purpose of this paragraph Net Income of the Company available for dividends shall mean the amount of the Net Profit (on a consolidated basis if the Company has any subsidiaries) as shown in the financial statements of the Company and its subsidiaries; if any, presented or to be presented to the shareholders at the annual meeting of the shareholders. Any amount or amounts set aside in a special account on the books of the Company as a purchase fund as aforesaid need not be kept separate from other moneys of the Company and pending the use or application thereof for the purposes hereinafter provided may be employed in the business of the Company.

Subject as hereinafter provided, the amount from time to time to the credit of the said special account shall be applied as soon as practicable to the purchase of Preferred Shares Series A (if obtainable) in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the redemption price as provided in paragraph (5) hereof and costs of purchase; if and to the extent to which Preferred Shares Series A cannot be so purchased at prices not exceeding the said price the Company shall not be obligated to make any application of the said amount until such shares in the opinion of the board of directors can be so purchased and so on from time to time so long as any of the Preferred Shares Series A shall be outstanding. Any Preferred Shares Series A purchased under the provisions of this paragraph shall be deemed to be redeemed and shall be cancelled. Notwithstanding anything herein contained the Company shall not be required to purchase any Preferred Shares Series A in accordance with the provisions of this paragraph (8) if and so long as such purchase would constitute a breach by the Company of the provisions of an indenture or deed of trust and/or mortgage hereafter created and constituting a first fixed charge on the assets of the Company and securing a first mortgage bond in a principal amount not to exceed \$700,000.

The Company may at any time anticipate the whole or any part of its Preferred Shares Series A purchase fund obligations by purchasing or redeeming Preferred Shares Series A by one or more of the

methods provided by paragraphs (4) and (5) and crediting the cost thereof, not exceeding the redemption price as provided in paragraph (5) hereof plus reasonable costs of purchase, in reduction of the amounts of any Preferred Shares Series A purchase fund obligations thereafter becoming due.

In the event that there is a credit balance of more than \$15,000 in the Preferred Share Series A purchase fund as of the thirty-first day of December, A.D. 1968, or as of the thirty-first day of December in any of the years 1973, 1978, 1983 or 1988, the Company will apply such credit balance in full, immediately after such December thirty-first date or dates when such credit balance exists, in the purchase or redemption of Preferred Shares Series A by one or more of the methods provided by paragraphs (4) and (5).

(9) So long as any of the Preferred Shares Series A are outstanding, the Company shall not without, but may from time to time with, the authorization of the holders of the Preferred Shares Series A given as specified in paragraph (12) hereof:

(a) increase the authorized amount of Preferred Shares or create or issue any class of shares ranking in priority to or on a parity with the Preferred Shares; or

(b) issue any Preferred Shares in addition to the Preferred Shares Series A (hereinafter in this paragraph (b) called "additional shares") unless Consolidated Net Earnings for any period of twelve (12) consecutive months out of the eighteen (18) months immediately preceding the date of issue of such additional shares shall have been at least equal to two and one-half ($2\frac{1}{2}$) times the maximum annual dividend requirements on all the Preferred Shares to be outstanding immediately after such issue; provided that any Preferred Shares outstanding at the time of any issue of additional shares as aforesaid which are to be retired within sixty (60) days following such time shall be deemed not to be outstanding immediately after such issue of additional shares if such outstanding Preferred Shares shall have been duly called for redemption as of a date within such period of sixty (60) days and if adequate provision has been made assuring that such shares will be redeemed on the date so specified for redemption; and provided further that if the Company or any subsidiary has subsequent to the beginning of the Company's last fiscal year purchased or proposes to acquire as incidental to the proposed issuance of Preferred Shares any business either by direct acquisition or indirectly by purchase of shares or otherwise, there shall be included in such Consolidated Net Earnings the earnings of such business which would have been included in the Consolidated Net Earnings had the acquisition taken place on or prior to the beginning of the Company's last fiscal year; or

(c) subject to the provisions of the Companies Act, redeem, purchase, reduce or otherwise pay off any shares ranking junior to the Preferred Shares (except out of the proceeds of the issue of the Preferred Shares Series A and except out of the proceeds of an issue of shares ranking junior to the Preferred Shares Series A and prior to or contemporaneously with any such redemption, purchase, reduction or other payment off), (i) unless all dividends, up to and including the dividend payable on the last preceding dividend payment date, on all the Preferred Shares then issued and outstanding shall have been declared and paid or provided for, or (ii) if, after giving effect thereto, the aggregate amount of the capital paid up on the Common Shares and any other shares of the Company ranking junior to the Preferred Shares plus the Consolidated Earned Surplus (both as at the date of such redemption, purchase, reduction or other payment off) would be less than the sum of \$500,000; or

(d) declare, pay or set apart any dividend on the Common Shares or any other shares of the Company ranking junior to the Preferred Shares if such declaration, payment or setting apart would reduce the Consolidated Earned Surplus (as at the date of such declaration, payment or setting apart) below an amount equal to dividend requirements for 3 years on all Preferred Shares then outstanding; or

(e) create, assume or guarantee or permit any subsidiary to create, assume or guarantee any Funded Obligations unless Average Consolidated Income for the three (3) fiscal years of the Company next preceding the date of issue of such Funded Obligations, shall have been at least three (3) times the maximum annual interest requirements on all Funded Obligations of the Company which will be outstanding after the creation, assumption or guarantee of the Funded Obligations proposed to be created, assumed or guaranteed; provided, however, that any Funded Obligations to be retired out of the proceeds of the Funded Obligations to be created, assumed or guaranteed shall not be considered to be outstanding for the purpose of this paragraph, and provided, further, that the restrictions contained in this paragraph shall not apply to nor operate to prevent the renewing or refunding of any Funded Obligations to the extent of the principal amount of any such Funded Obligations at the time of such renewal or refunding, and provided further that nothing herein contained shall be deemed to prohibit the Company from hereafter authorizing, creating and issuing a First Mortgage Bond in a principal amount not to exceed \$700,000 to be secured by a first fixed and specific charge on the undertaking and assets of the Company.

(10) In these provisions the following terms shall have the following respective meanings:

(a) "subsidiary" means any corporation or company of which more than 50% of the outstanding voting shares are for the time being owned by or held for the Company and/or any subsidiary of the Company and includes any corporation or company in like relation to a subsidiary. "Voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened.

(b) "Consolidated Net Earnings" means all the gross earnings and income of the Company and its subsidiaries from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its subsidiaries (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting practice, after making due allowance for minority interests, if any, and after proper allowance for depreciation, depletion, amortization and taxes (including income taxes). The net earnings of any subsidiary for the purpose of this definition shall only include the net earnings of such subsidiary from the date when such subsidiary became a subsidiary of the Company, subject as hereinafter provided.

If, at the time of determining Consolidated Net Earnings for any past period, the Company or any subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of the then proposed issue of Preferred Shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to which a resolution of the directors shall be conclusive and binding), then the net earnings or net losses of such property or such other company for the same past period (calculated in accordance with the provisions herein contained respecting Consolidated Net Earnings) shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of Consolidated Net Earnings.

Consolidated Net Earnings shall be determined by the auditors of the Company whose determination shall be conclusive and binding on the Company and the holders of shares of every class.

(c) "Consolidated Earned Surplus" means the Consolidated Net Earnings since August 24th, 1944, less all dividends declared and/or paid (other than in shares of the Company's capital) on all shares of all classes of the Company's capital and all items which in accordance with generally accepted accounting practice are properly chargeable to earned surplus, the whole as determined on a consolidated basis in accordance with generally accepted accounting practice.

(d) "Average Consolidated Income" for any specified number of fiscal years of the Company means Average Consolidated Net Earnings for such specified years except that in the determination thereof there shall be added back all amounts deducted in the computation thereof in respect of income taxes and interest on Funded Obligations divided by the number of years specified.

(e) "Funded Obligations" means any indebtedness, whether secured or unsecured, incurred by way of issue, pledge, assumption or otherwise, the principal amount of which is not payable on demand and the due date of payment of which principal amount, including any right of extension or renewal, is 18 months or more after the date on which it is incurred and any liability (contingent or otherwise) in respect of any guarantee of any such indebtedness of any person, firm or corporation (other than the Company or any subsidiary) but does not include Purchase Money Obligations or Mortgage Debt, or bankers' advances in the ordinary course of business.

(f) "Purchase Money Obligations" means any mortgage, hypothec, charge, vendor's privilege, vendor's lien or other encumbrance upon land, buildings, plant or equipment of a fixed or permanent nature acquired by the Company or any Subsidiary, which is given or assumed or which arises by operation of law to secure at the time of acquisition the payment of the whole or any part of the cost of such property, and includes any renewal, refunding and extension of any such encumbrance not in excess of the principal amount thereof remaining unpaid immediately prior to such renewal, refunding or extension.

(g) "Mortgage Debt" means any indebtedness incurred by way of loan and secured by a first fixed and specific mortgage, hypothec or charge on or of real or immoveable property, provided such mortgage, hypothec or charge is not constituted by a trust deed, trust indenture or other instrument in favour of a trustee for the holder or holders of such indebtedness.

(11) The provisions contained in paragraphs (1) to (10) hereof inclusive may be deleted, varied, modified, amended or amplified by supplementary letters patent but only with the authorization of the holders of Preferred Shares Series A given as specified in paragraph (12) hereof in addition to any vote or authorization required by The Companies Act.

(12) The approval of holders of the Preferred Shares Series A as to any and all matters referred to herein may be given by compromise or arrangement under the Companies Act or by by-law sanctioned at a meeting of holders of Preferred Shares Series A duly called and held upon at least twenty-one (21) days' notice at which the holders of at least a majority of the outstanding Preferred Shares Series A are present or represented by proxy and carried by the affirmative vote of the holders of not less than seventy-five per cent (75%) of the Preferred Shares Series A represented and voted at such meeting cast on a poll. If at any such meeting the holders of a majority of the outstanding Preferred Shares Series A are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the Chairman and at least fifteen (15) days' notice shall be

given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called. At such adjourned meeting the holders of Preferred Shares Series A present or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative votes of the holders of not less than seventy-five per cent (75%) of the Preferred Shares Series A represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of Preferred Shares Series A referred to above. The formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders. On every poll taken at every such meeting or adjourned meeting every holder of Preferred Shares Series A shall be entitled to one vote in respect of each Preferred Share Series A held.

Common Shares

The Common Shares of the capital of the Company carry the right to one vote per share at all meetings of Common Shareholders and the rights of the holders of the Common Shares are subject to the prior rights of the holders of the First Preferred Shares.

9. The Company is at the date hereof indebted to the Industrial Development Bank for a loan in the outstanding principal amount of \$226,290, secured by a debenture and collaterally secured by a First Mortgage, a floating charge on the undertaking and assets of the Company and a chattel mortgage. The Company intends to repay, out of the proceeds of the issue of the Preferred Shares Series A and the 30,000 Common Shares hereby offered, the whole of the said sum of \$226,290 plus a prepayment penalty of 6% of the outstanding principal of the said loan at the time of such prepayment. The Company proposes during 1964 to authorize the creation of 6½% First Mortgage Bonds and to issue in 1964, \$700,000 principal amount thereof from time to time as required by construction commitments. Agreements dated November 28th, 1963 have been concluded between the Company and Sun Life Assurance Company of Canada and between the Company and York Trust and Savings Corporation to purchase \$500,000 and \$200,000 respectively in principal amount of said First Mortgage Bonds. It is expected that the First Mortgage Bonds will be issued in accordance with a trust indenture and will be secured by a first fixed and specific mortgage, pledge and charge on all of the Company's real and immovable properties and rights, including all buildings, fixed plant and fixed equipment of the Company situate thereon and by a floating charge on the undertaking and all other property and assets, both present and future of the Company. The trust indenture will limit the issue of Bonds to \$1,500,000 in principal amount of which the aforementioned \$700,000 in principal amount will constitute the first series ("Series A") authorized for issuance. Additional Bonds over and above the \$700,000 in principal amount thereof shall only be issued if the pro-forma net tangible assets of the Company will equal at least 250% of all Bonds to be outstanding after such issue and net earnings after proper depreciation charges, but before interest charges and income taxes, shall have averaged four times pro-forma Bond interest charges in two out of the three latest consecutive fiscal years (including the latest fiscal year) immediately preceding the date of the issue of additional Bonds. It is also expected that the trust indenture will provide for sinking fund commitments of \$35,000 per annum at par to commence two years after the date of the trust indenture; provide that the Bonds will be redeemable at a premium of 6½% during the first year of issue, such premium declining annually by 0.35% per annum to par during the twentieth year, and during the first ten years the Bonds shall not be refundable in contemplation or out of the proceeds of an issue of funded debt having an actual interest cost to the Company of less than 6½% per annum (funded debt being any indebtedness maturing more than 18 months from the date of its creation); provide that no funded debt junior to the Bonds shall be issued having a maturity date earlier than or with a provision for retirement thereof at a proportionately greater rate than the Series "A" Bonds; provide that dividend payments on shares of the Company and capital repayments shall be made only out of net earnings (after taxes and all charges) of the Company subsequent to July 31st, 1963 plus the sum of approximately \$72,000.00 and require that net current assets of the Company after such payments will not be reduced below the greater of \$400,000 or 50% of the principal amount of all Bonds outstanding; provide as to leases of real and personal property that if the original term thereof is more than three years then the maximum annual rental payments shall not exceed \$15,000; provide that the principal amount outstanding at any one time on purchase money obligations and conditional sales contracts shall not exceed \$100,000. The Series "A" Bonds when issued will be accompanied by stock purchase warrants covering the right to purchase 30 Common Shares for each \$1,000 in principal amount of Series "A" Bonds issued. Such warrants will allow the holders thereof to purchase Common Shares of the Company at \$6 per share for the first five years and \$7 per share for the second five years with provision being made for adjustment of the number of shares purchaseable upon occurrence of certain events including stock dividends, stock splits, reclassification and the issuance of Common Shares for less than the current per share exercise price. It is not at present proposed that any securities other than the \$700,000 principal amount of First Mortgage Bonds will be issued by the Company which, if issued, will rank ahead of or *pari passu* with the Preferred Shares Series A or Common Shares offered by this Prospectus. Reference is made to paragraph 8 hereof.

10. No substantial indebtedness, other than indebtedness which may be incurred in the ordinary course of the business and operations of the Company, is to be created or assumed which is not shown or

referred to in the Balance Sheet and Pro-Forma Balance Sheet of the Company as at July 31st, 1963, and the Notes thereto, accompanying and forming a part of this Prospectus. Reference is made to paragraph 9 hereof.

11. No securities of the Company are covered by outstanding options given by the Company or options proposed to be given by the Company. However, the Company proposes to establish an incentive stock option plan for key employees of the Company, or of any subsidiary of the Company, pursuant to which employees will be granted options to purchase Common Shares without par value in the capital of the Company. Although no details have been settled with respect to such stock option plan, it is proposed that the number of Common Shares covered thereby will not exceed 21,000 shares and the price per share at which any option thereunder may be granted will not be less than \$5 per share. Reference is also made to paragraph 9 hereof for particulars of stock purchase warrants which will be granted when the First Mortgage Bonds referred to therein are issued.

12. The number of securities of each class offered by this Prospectus, their correct descriptive titles and the issue prices to the public and the terms thereof are as shown on the facing pages of this Prospectus, to which reference is hereby expressly made.

13. The estimated net proceeds to be derived by the Company from the sale to the Underwriters of 60,000 Preferred Shares Series A and 30,000 Common Shares on the basis of such securities being fully taken up and paid for are \$693,000 less legal, auditing and other expenses incurred by the Company and aggregating an estimated \$20,000. Reference is made to paragraph 16 hereof and the agreement between the Underwriters and Eric Hanus Cerny and Gustave Walter Fewks referred to therein relating to the purchase by the Underwriters of an aggregate of 12,500 presently issued Common Shares of the Company. No part of the proceeds from the sale of said Common Shares will accrue to the Company.

14. The net proceeds, less the expenses referred to in paragraph 13 hereof, from the sale by the Company of the 60,000 Preferred Shares Series A and the 30,000 Common Shares offered by this Prospectus will be used, together with the proceeds from the proposed issue of \$700,000 principal amount of First Mortgage Bonds referred to in paragraph 9 hereof, and the present current assets of the Company, to repay the Industrial Development Bank loan of \$226,290 plus accrued interest and prepayment premium amounting to 6% of the principal outstanding at the time of repayment as referred to in paragraph 9, for the purchase of land estimated to cost \$15,000, to repay shareholders' advances of \$21,800 set up on the books of the Company upon the redemption of preferred shares and to form part of a Construction and New Equipment Fund of some \$1,073,916 for the construction of a new plant and the purchase of necessary equipment.

15. In the opinion of the Directors of the Company the minimum amount which must be raised by the issue of the 60,000 Preferred Shares Series A and the 30,000 Common Shares over and above the net amount estimated to be realized from the proposed creation and sale of \$700,000 principal amount of First Mortgage Bonds, to provide the sums required or the balance of the sums required for the purposes referred to in paragraph 14 hereof is \$693,000 less the expenses referred to in paragraph 13 hereof. Reference is made to the agreement referred to in paragraph 16 hereof respecting the sale to the Underwriters by Eric Hanus Cerny and Gustave Walter Fewks of an aggregate of 12,500 presently issued Common Shares of the Company.

16. Pursuant to an agreement dated the 26th day of November, 1963, made between the Company and Moss Lawson & Co. Ltd. and Deacon Findley Coyne Limited, (herein sometimes collectively referred to as the "Underwriters"), the Company agreed to sell to the Underwriters and the Underwriters have agreed on their own behalf to purchase, subject to the terms and conditions stated therein

- (a) 60,000 Preferred Shares Series A with a par value of \$10 each in the capital of the Company at par;
- (b) 30,000 Common Shares without par value in the capital of the Company for a consideration of \$150,000.

The purchase price for the said Preferred Shares Series A and Common Shares aforesaid is payable against delivery of certificates representing the said Shares. The Company has agreed to pay the Underwriters commissions of \$42,000 and \$15,000 respectively in consideration of their subscribing for the aforesaid 60,000 Preferred Shares Series A and 30,000 Common Shares. The Company has agreed to pay the Underwriters a placement commission equal to 2% of the principal amount of such of the First Mortgage Bonds referred to in paragraph 9 hereof as are issued and sold by the Company from time to time. By an agreement also dated the 26th day of November, 1963, made between Eric Hanus Cerny and Gustave Walter Fewks, both Directors of the Company, and the Underwriters aforementioned, it was agreed that the Underwriters as principals would purchase and Eric Hanus Cerny and Gustave Walter Fewks would sell 11,250 and 1,250 Common Shares respectively for the aggregate purchase price of \$56,250. Said 12,500 Common Shares are outstanding shares and no proceeds from the sale thereof will be received by the Company.

17. The by-laws of the Company provide in respect of remuneration of directors as follows:

"The directors shall be paid such remuneration, if any, as the Board may from time to time determine. Any remuneration so payable to a director who is also an officer or employee of the company or who is counsel or solicitor to the company or otherwise serves it in a professional capacity shall be in addition to his salary as such officer or to his professional fees as the case may be. In addition the Board may by resolution from time to time award special remuneration out of the funds of the company to any director who performs any special work or services for, or undertakes any special mission on behalf of, the company outside the work or services ordinarily required of a director of the company. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending Board, committee or shareholders' meetings or otherwise in respect of the performance by them or their duties as the Board may from time to time determine. No confirmation by the shareholders of any such remuneration or payment shall be required."

18. No remuneration was paid by the Company during its financial year ended July 31st, 1963 to directors, as such, and the aggregate remuneration paid during such financial year to officers who individually received remuneration in excess of \$10,000 per annum was \$79,547. No remuneration is estimated to be paid or payable during the current financial year of the Company to its directors as such and it is estimated that the aggregate remuneration paid or payable to officers who individually may be entitled to receive remuneration in excess of \$10,000 is \$90,000.

19. No amount has been paid within the two years preceding the date of this Prospectus or is payable as commission by the Company for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or obligations of the Company. The commission or discount allowed to the Underwriters in respect of the securities offered by this Prospectus and the First Mortgage Bonds proposed to be issued by the Company is referred to in paragraph **16** hereof.

20. No property has been purchased or acquired by the Company or is proposed to be purchased or acquired, the purchase price of which has been paid within the two years preceding the date hereof or is to be paid in whole or in part in securities of the Company, or the purchase or acquisition of which has not been completed at the date hereof, except transactions entered into in the ordinary course of operations or on the general credit of the Company except that the Company proposes to purchase land, construct a new plant and purchase necessary equipment all as more particularly set forth in paragraph **14** hereof. With reference to the lands being acquired, the Company has entered into an agreement dated November 25, 1963 with The Corporation of the Town of Midland, Midland, Ontario, as vendor, whereby the Company has agreed to purchase and the vendor has agreed to sell approximately 16 acres of land in the Town of Midland at a price of \$950 per acre. The Company will acquire title to said lands in fee simple free of encumbrance, but such lands will in due course become subject to the mortgage, lien and charge securing the First Mortgage Bonds to be issued and referred to in paragraph **9** hereof.

21. No securities of the Company have within the two years preceding the date of this Prospectus been issued or agreed to be issued as fully paid or partly paid up otherwise than in cash. Reference is hereby made to paragraph **7** hereof and to the securities proposed to be issued as referred to in paragraph **16**.

22. No obligations are to be offered by this Prospectus.

23. Exclusive of services rendered or to be rendered in the ordinary course of business and legal, auditing and other services in connection with the issuance of the First Mortgage Bonds referred to in paragraph **9** hereof and the issue of the securities offered by this Prospectus, no services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the securities hereby offered. No services have been rendered or are to be rendered to the Company which have been within the two years preceding the date of this Prospectus or are to be paid for by securities of the Company. Reference is, however, made to the proposed incentive stock option plan for key employees referred to in paragraph **11** hereof.

24. No amount has been paid within the two years preceding the date of this Prospectus or is intended to be paid to any promoter of the Company as such.

25. No material contracts have been entered into within the two years preceding the date hereof other than contracts entered into in the ordinary course of business, except:

- (i) the agreement with Moss Lawson & Co. Ltd. and Deacon Findley Coyne Limited referred to in paragraph **16** hereof.
- (ii) the agreement dated November 25, 1963 with The Corporation of the Town of Midland referred to in paragraph **20** hereof.
- (iii) the agreement dated November 28, 1963 with Sun Life Assurance Company of Canada respecting the sale to it of \$500,000 in principal amount of First Mortgage Bonds referred to in paragraph **9** hereof.

- (iv) the agreement dated November 28, 1963 with York Trust and Savings Corporation respecting the sale to it of \$200,000 in principal amount of First Mortgage Bonds referred to in paragraph 9 hereof.

Copies of the above mentioned agreements may be inspected at the Ninth Floor, 302 Bay Street, Toronto, Ontario, during ordinary business hours during the course of primary distribution to the public of the securities offered hereby.

26. No director of the Company or firm of which a director is a partner has any interest in the promotion of or in any property acquired by the Company or proposed to be acquired by the Company within the two years preceding the date hereof.

27. The Company has been carrying on business for more than three years.

28. Midland Silks Limited, 92 Lakeshore Road, Pointe Clair, Quebec, of which Eric H. Cerny, a director of the Company, is the controlling shareholder and the said Eric H. Cerny are in a position to elect or cause to be elected a majority of the directors of the Company. The present holders of Common Shares of the Company and the Company have agreed with the Underwriters that, until July 31, 1973 or until the holders of the First Preferred Shares may become entitled as a class to elect three directors to the Board, whichever shall first occur, three representatives of the Underwriters shall be elected to the Board of directors of the Company.

29. No shares of the Company are to the knowledge of the signatories hereto held in escrow. The holders of the issued Common Shares of the Company have agreed with the Underwriters that, for a period of 90 days from the date upon which the Company receives payment for the shares being sold to the Underwriters as referred to in paragraph 16, they will not sell or offer for sale any of the Common Shares of the Company owned by them. Thereafter such holders of Common Shares may offer their Common Shares for sale but in certain circumstances they are required to extend to the Underwriters a first right of refusal to purchase the same.

30. During the five years preceding the date hereof the Company paid cash dividends on its preferred shares of \$6,302.00 in the aggregate and dividends on its Class B Common Shares of \$12,500.00 in the aggregate. References to said preferred shares and Class B common shares are to shares of the Company as same were constituted prior to the issuance of Supplementary Letters Patent dated November 27, 1963.

31. There are no other material facts.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario) and by Part IX of The Securities Act, 1955 (Alberta) and there is no further material information applicable other than in the financial statements or reports where required.

DATED this 28th day of November, 1963.

Directors

(Signed) STEVEN CERNY

(Signed) E. H. CERNY

(Signed) SYDNEY J. NICHOLLS

(Signed) G. W. FEWKS

(Signed) J. REG. FINDLEY

(Signed) CHARLES G. GREENFIELD

(Signed) DONALD A. JEWITT

Underwriters

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario) and by Part IX of The Securities Act, 1955 (Alberta) and there is no further material information applicable other than in the financial statements or reports where required. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

DEACON FINDLEY COYNE LIMITED
By: (Signed) DONALD A. JEWITT

MOSS LAWSON & CO. LTD.
By: (Signed) DONALD G. LAWSON

The following includes the names of all individuals having more than a five per cent interest in Moss Lawson & Co. Ltd.: Donald M. M. Ross, Donald G. Lawson, Terrence J. O'Rourke, Eric M. Watson, Robert B. G. Clarke and Stanley E. Rodbard.

The following includes the names of all individuals having more than a five per cent interest in Deacon Findley Coyne Limited: F. C. Deacon, J. S. Deacon, J. Reg. Findley, D. M. Deacon, R. D. Telfer, J. W. Hetherington and H. J. Knight.

10.

HEAD OFFICE

The address of the Head Office of the Company is Midland, Ontario.

11.

TRANSFER AGENT AND REGISTRAR

York Trust And Savings Corporation, 48 Yonge Street, Toronto, Ontario, act as Transfer Agent and Registrar of the Company's Common Shares without nominal or par value and its First Preferred Shares with a par value of \$10.00 each.

12.

TRANSFER FEE

No fee is charged on the transfer of the shares of the Company other than customary Government stock transfer taxes where applicable.

13.

AUDITORS

The auditors of the Company are Messrs. Hutchins, Mullin & Blair, Chartered Accountants, 68 Yonge Street, Toronto, Ontario.

14.

OFFICERS

The officers of the Company are as follows:

NAME	OFFICE	ADDRESS
Eric Hanus Cerny	Chairman of the Board	92 Lakeshore Road, Pointe Claire, Quebec.
Steven Frederick Cerny	President	Yonge Street West, Midland, Ontario.
Gustave Walter Fewks	Vice-President	4940 Coronet Avenue, Montreal, Quebec.
Sydney James Nicholls	Secretary-Treasurer	Cornell Drive, Midland, Ontario.

15.

DIRECTORS

The Directors of the Company are as follows:

NAME	OCCUPATION	ADDRESS
Eric Hanus Cerny	Executive	92 Lakeshore Road, Pointe Claire, Quebec.
Steven Frederick Cerny	Manager	Yonge Street West, Midland, Ontario.
Gustave Walter Fewks	Executive	4940 Coronet Avenue, Montreal, Quebec.
Sydney James Nicholls	Sales Manager	Cornell Drive, Midland, Ontario.
John Reginald Findley	Investment Dealer	51 Sandringham Drive, Toronto, Ontario.
Charles Gamble Greenfield	Investment Dealer	64 Mason Boulevard, Toronto, Ontario.
Donald Arthur Jewitt	Investment Dealer	100 Roehampton Avenue, Toronto, Ontario.

CERTIFICATE OF OFFICERS

Pursuant to a resolution duly passed by its Board of Directors, the applicant Company hereby applies for listing of the above mentioned securities on The Toronto Stock Exchange, and the undersigned officers thereof hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.



BAY MILLS LIMITED

"STEVEN F. CERNY"

President

"SYDNEY J. NICHOLLS"

Secretary.

STATEMENT SHOWING NUMBER OF SHAREHOLDERS

Distribution of First Preferred Shares Series A as of December 30th, 1963

Number	Shares
43 Holders of 1 — 99 share lots	1,600
19 " " 100 — 199 " "	2,010
15 " " 200 — 299 " "	3,000
1 " " 300 — 399 " "	300
1 " " 400 — 499 " "	400
1 " " 500 — 999 " "	600
3 " " 1000 — up " "	52,090*
83 Shareholders	Total shares 60,000

* Of which 50,550 are distributed to 290 shareholders but are not yet registered in their names.

Distribution of Common stock as of December 30th, 1963

Number	Shares
72 Holders of 1 — 99 share lots	1,918
19 " " 100 — 199 " "	1,950
2 " " 200 — 299 " "	400
1 " " 300 — 399 " "	300
0 " " 400 — 499 " "	0
2 " " 500 — 999 " "	1,000
7 " " 1000 — up " "	200,417*
103 Shareholders	Total shares 205,985

* Of which 37,220 are distributed to 340 shareholders but are not yet registered in their names.